



2007 Fiscal Operations Report



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Indiana State Teachers' Retirement Fund

150 West Market Street, Suite 300

Indianapolis, IN 46204





Indiana State Teachers' Retirement Fund

October 31, 2007

The Honorable Mitch Daniels
Governor of the State of Indiana

The Indiana General Assembly

Dear Governor Daniels and Members of the General Assembly,

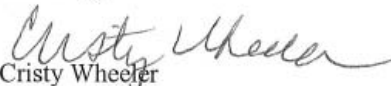
It is my pleasure to submit the 2007 Fiscal Operations Report on behalf of the Indiana State Teachers' Retirement Fund (TRF), in accordance with Indiana Code 5-10.2-2-1. The Report contains statistical data, actuarial projections, financial statements, investment performance reports, benchmark data for investment and customer services, and TRF's 2007 Goals & Metrics.

In fiscal year 2007 I am pleased to report that TRF continues to make significant strides in improving its efficiency and effectiveness. In particular, we received a clear audit from the State Board of Accounts, 88% of our employers are now reporting wage and hour contributions online and all new legislation was implemented in time for its July 1, 2007 effective date. TRF also continues to improve its customer service by delivering the first pension check to our retirees on average in only 16 days, offering Saturday counseling sessions, creating a new member packet, and maintaining call center statistics of <30 seconds average time to answer.

The rate of return for the Pension Stabilization Fund and employers' assets managed by TRF was an outstanding 18.17% in fiscal year 2007, far exceeding our actuarial investment assumption of 7.5%.

We are honored to serve the active and retired teachers of Indiana and will continue to seek excellence in all we do.

Sincerely,


Cristy Wheeler
Executive Director

An Equal Opportunity Employer

150 West Market Street, Suite 300, Indianapolis, Indiana 46204-2809
Toll Free: (888) 286-3544 Website: www.in.gov/trf

Mission Statement

The Mission of the Indiana State Teachers' Retirement Fund is to prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to its members, while demonstrating responsibility to the citizens of the state.

Organization Chart

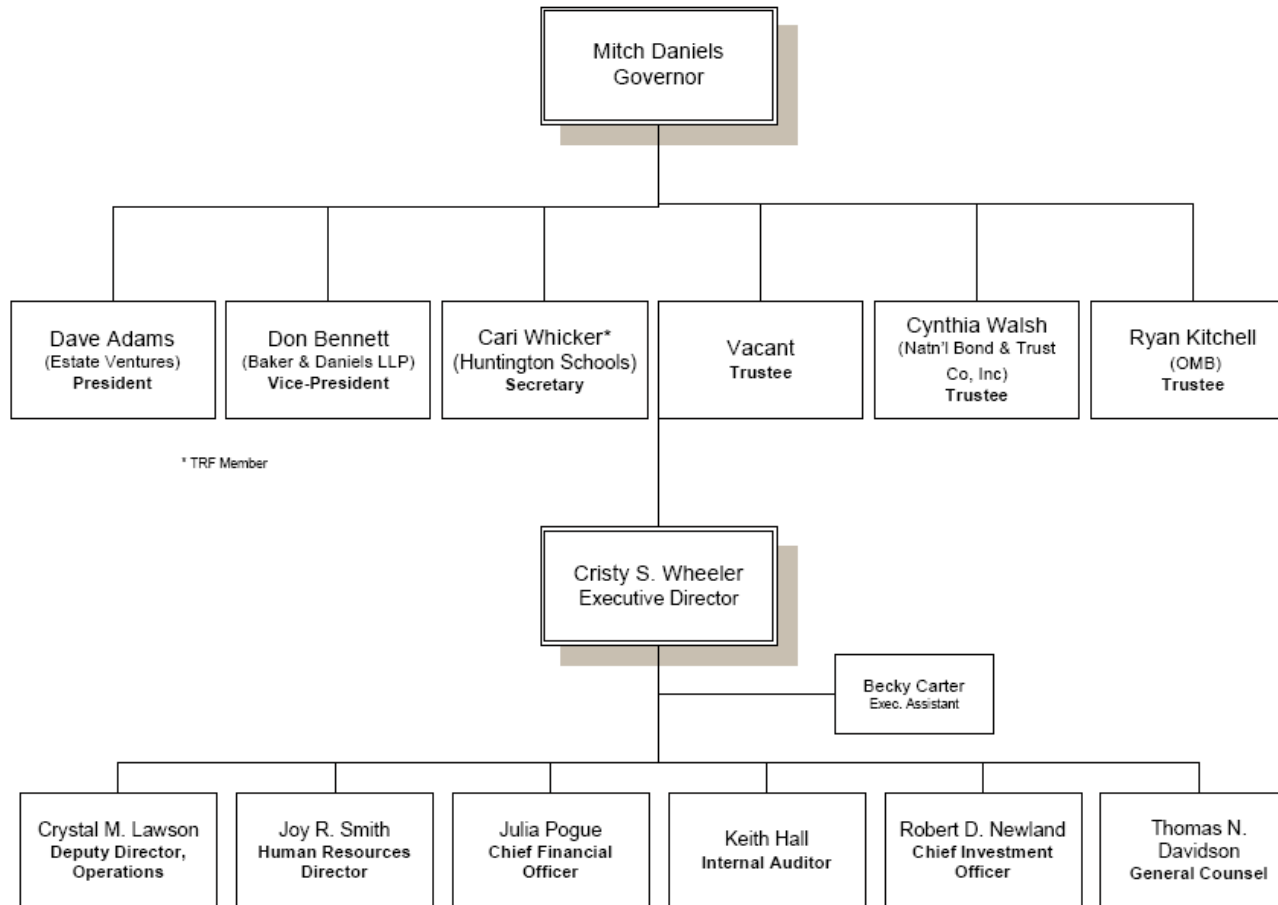




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Financial Statements

Statement of Fiduciary Net Assets

Year Ended June 30, 2007

-UNAUDITED-

Assets

Cash and Cash Equivalents	\$ 1,302,951,460
---------------------------	------------------

Securities Lending Collateral	1,448,920,710
-------------------------------	---------------

Receivables

Employer Contributions	29,246,347
------------------------	------------

Member Contributions	38,053,905
----------------------	------------

Interest and Dividends	32,567,033
------------------------	------------

Due from PERF	2,098,572
---------------	-----------

Securities Sold	619,425,900
-----------------	-------------

Total Receivables	721,391,757
--------------------------	--------------------

Investments at fair value:

Debt Securities	2,734,720,764
-----------------	---------------

Equity Securities	5,027,179,513
-------------------	---------------

Other	474,632,890
-------	-------------

Total Investments	8,236,533,167
--------------------------	----------------------

Furniture and Equipment, at cost(net of \$177,481 of accumulated depreciation)	9,560
---	-------

Total Assets	11,709,806,654
---------------------	-----------------------

Liabilities

Accounts Payable	5,566,770
------------------	-----------

Accrued Wages Payable	128,037
-----------------------	---------

Compensated Absences	71,011
----------------------	--------

Securities Lending Collateral	1,448,920,710
-------------------------------	---------------

Payables for Securities Purchased	1,267,315,577
-----------------------------------	---------------

Total Current Liabilities	2,722,002,105
----------------------------------	----------------------

Compensated Absences - Long-Term	<u>60,491</u>
----------------------------------	---------------

Total Liabilities	<u>2,722,062,596</u>
--------------------------	----------------------

Net Assets Held in Trust for Pension Benefits	<u><u>\$ 8,987,744,058</u></u>
---	--------------------------------

- UNAUDITED -

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2007

-UNAUDITED-

Additions

Contributions

Member	\$	126,194,680
Employer Contributions		723,039,657
Employer Contributions - Pension Stabilization		30,000,000

Total Contributions		<u>879,234,337</u>
----------------------------	--	--------------------

Investments

Net Increase in Fair Value of Investments		952,100,481
Interest Income		200,435,363
Dividend Income		93,943,883
Securities Lending Income		77,859,483
Less Investment Expense		
Investment Fees		(19,593,644)
Securities Lending Fees		(74,364,137)

Net Investment Income		<u>1,230,381,429</u>
------------------------------	--	----------------------

Other Additions

Transfer from Public Employees Retirement Fund		<u>3,840,644</u>
--	--	------------------

Total Additions		<u>2,113,456,410</u>
------------------------	--	----------------------

Deductions

Annuity and Disability Benefits		897,676,227
Voluntary and Death Withdrawals		12,901,454
Administrative Expenses		6,044,784
Capital Projects		455,719
Depreciation Expense		21,052
Transfer from Public Employees Retirement Fund		<u>36,947</u>

Total Deductions		<u>917,136,183</u>
-------------------------	--	--------------------

Change in Net Assets Held in Trust for Pension Benefits	<u>1,196,320,227</u>
Net Assets - Beginning of Year	<u>7,791,423,831</u>
Net Assets - Ending of Year	<u><u>\$ 8,987,744,058</u></u>

- UNAUDITED -

Administrative Expenses

Year Ended June 30, 2007

-UNAUDITED-

PERSONAL SERVICES:

TRUSTEES PER DIEMS	\$ 5,628
STAFF SALARIES	2,077,430
SOCIAL SECURITY	160,309
RETIREMENT	226,645
INSURANCE	369,901
TEMPORARY SERVICES	2,890
Total Personal Services	2,842,803

PROFESSIONAL & TECHNICAL SERVICES:

ACTUARIAL	117,200
DATA PROCESSING	1,778,071
HEALTH INSURANCE CONSULTANT	24,040
AUDIT	27,076
BENCHMARKING	37,500
LEGAL SERVICES	46,173
MEDICAL EXAMINATIONS	700
PENSION DEATH RECORD COMPARISON(PBI)	8,915
TOTAL PROFESSIONAL & TECHNICAL SERVICES	2,039,675

COMMUNICATION:

PRINTING	349,851
TELEPHONE	36,827
POSTAGE	395,738
TRAVEL	27,914
TOTAL COMMUNICATION	810,330

MISCELLANEOUS:

ADMINISTRATIVE LEGAL SERVICES	9,976
MEMBERSHIP & TRAINING	18,586
EQUIPMENT RENTAL	23,969
SUPPLIES	61,479
MAINTENANCE	16,374
BONDING	1,055
DEPRECIATION	21,052
OFFICE RENT	220,536
TOTAL MISCELLANEOUS	373,028

TOTAL ADMINISTRATIVE EXPENSES

6,065,836

Investment Expenses

Year Ended June 30, 2007

-UNAUDITED-

SCHEDULE OF INVESTMENT EXPENSES FISCAL YEAR ENDED JUNE 30, 2007

Custodial

The Northern Trust Company	<u>\$100,000.00</u>
<i>Total Custodial</i>	\$100,000.00

Investment Consultant	\$458,596.93
Investment Benchmarking	\$18,500.00

Management

Fixed Income Managers

Alliance Capital Mgmt.	\$1,004,735.09
Reams Asset Mgmt.	\$1,453,867.00
Taplin, Canida, Habacht	\$328,370.12

Equity Managers

Barclays	\$133,336.14
Rhumblin	\$152,749.80
PIMCO	\$1,452,631.01
State Street	\$2,204,419.63
Alliance Capital Management	\$1,212,042.33
Fishers Investments	\$974,408.10
Earnest Partners, LLC	\$334,221.96
Institutional Capital Corp.	\$385,084.00
Barrow, Hanley	\$267,242.00
Enhanced Investment Technologies, Inc.	\$859,814.81
Holt-Smith & Yates Advisors	\$77,605.00
Gryphon International	\$1,083,864.56
Manning & Napier	\$318,093.51
Franklin	\$486,971.35
Aeltus	\$1,191,884.47
Wells	\$1,482,233.98
Bridgewater Associates	\$1,068,027.47
GMO	\$378,894.58
Brandywine Asset Management, Inc.	\$798,845.02
Portfolio Advisors, Inc.	<u>\$620,000.00</u>

Total Money Management Fees	\$18,269,341.93
------------------------------------	------------------------

TRF Investment Staff

Staff Salaries	\$268,512.88	
Fringe Benefits	<u>\$85,909.20</u>	\$354,422.08
Investment Travel		\$13,420.80
Investment Management Software		\$43,300.00
Investment Transaction Fees		\$245,233.48
Administrative Investment Fees		<u>\$90,828.78</u>
Total Investment Fees		\$19,593,644.00

-UNAUDITED-

Capital Projects
Year Ended June 30, 2007
-UNAUDITED-

	<u>FISCAL YEAR 2007</u>	<u>LIFE TO DATE</u>	<u>TOTAL PROJECT</u>
New Retirement Information System	\$ 421,478.54	\$ 13,041,296.91	\$ 13,462,775.45
Imaging Backlog Project	\$ 30,427.68	\$ -	\$ 30,427.68
Location of Members with Inactive Accounts	\$ 3,812.38	\$ -	\$ 3,812.38
TOTAL CAPITAL PROJECTS	\$ 455,718.60	\$ 13,041,296.91	\$ 13,497,015.51

-UNAUDITED-



Actuarial Reports

INDIANA STATE TEACHERS' RETIREMENT FUND

Actuarial Summary

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>CHANGE</u>
PRE- 96 FUND UNFUNDED ACCRUED LIABILITY	\$9,525,249,393	\$8,457,422,909	\$1,067,826,484
96 FUND UNFUNDED ACCRUED LIABILITY	<u>\$153,633,774</u>	<u>\$742,171,059</u>	<u>-\$588,537,285</u>
TOTAL ACTUARIAL LIABILITY	<u>\$9,678,883,167</u>	<u>\$9,199,593,968</u>	<u>\$479,289,199</u>

ACTUARIAL ANALYSIS OF CHANGE IN ACTUARIAL LIABILITY FROM PREVIOUS YEAR'S VALUATION:

PRE - 96 FUND:

During the year ended June 30, 2006, the Unfunded Actuarial Accrued Liability in the Pre-96 Plan Increased \$1,067.8 million. The increase resulted from multiple factors, including (but not limited to) the lack of pre-funding, the ad-hoc COLA effective January 1, 2007, the transfer of \$715 million from the Pre-96 Fund to the 96 Fund, per HEA 1001, Section 235, and increase of the assumed future ad-hoc COLA from 0.5% to 1.0%, to be compounded annually, that were not offset by the current year's market gains. The dollar value of the total Actuarial Accrued Liabilities increased by \$748,324,028, while the corresponding Funding Value of Assets decreased by \$319,502,456.

96 FUND:

During the year ended June 30, 2006, the Unfunded Actuarial Accrued Liability in the 96 Plan decreased \$588.5 million. The decrease resulted from transfer of \$715 million from the Pre-96 Fund, per HEA 1001, Section 235. This was partially offset by the increase of the assumed future ad-hoc COLA from .05% to 1.0%, to be compounded annually. The dollar value of the total Actuarial Accrued Liabilities increased by \$352,354,660, while the corresponding Funding Value of Assets increased by \$940,891,945.

Development of Assets and Liabilities

June 30, 2006

(MARKET VALUE BASIS)

Reserve Allocation	Pre-1996 Fund	1996 Fund	Total
Member Reserves:			
Active and Inactive	\$2,898,891,374	\$ 602,050,592	\$3,500,941,966
Retired	742,350,130	26,948,333	769,298,463
Total Member Reserves	3,641,241,504	628,998,925	4,270,240,429
Employer Reserves:			
Active	0	1,415,786,493	1,415,786,493
Retired			
Pension Stabilization Fund	1,537,061,366	0	1,537,061,366
Other	373,548,138	194,787,406	568,335,544
Total	1,910,609,504	194,787,406	2,105,396,910
Total Employer Reserves	1,910,609,504	1,610,573,899	3,521,183,403
Total Reserves	\$5,551,851,008	\$2,239,572,824	\$7,791,423,832

ACTUARIAL ACCRUED LIABILITY: COMPUTED AND UNFUNDED

	Pre-1996 Fund	1996 Fund	Total
Retired Members and Beneficiaries:			
Computed Accrued Liability	\$ 6,238,115,297	\$ 282,637,891	\$ 6,520,753,188
Allocated Assets (market value)	2,652,959,634	221,735,739	2,874,695,373
Funding Value Adjustment	(35,661,951)	(2,980,644)	(38,642,595)
Unfunded Accrued Liability	3,620,817,614	63,882,796	3,684,700,410
Active and Inactive Members:			
Computed Accrued Liability	8,764,355,307	2,080,463,637	10,844,818,944
Allocated Assets (market value)	2,898,891,374	2,017,837,085	4,916,728,459
Funding Value Adjustment	(38,967,846)	(27,124,426)	(66,092,272)
Unfunded Accrued Liability	5,904,431,779	89,750,978	5,994,182,757
ISTRF Total:			
Computed Accrued Liability	15,002,470,604	2,363,101,528	17,365,572,132
Allocated Assets (market value)	5,551,851,008	2,239,572,824	7,791,423,832
Funding Value Adjustment	(74,629,797)	(30,105,070)	(104,734,867)
Unfunded Accrued Liability	\$ 9,525,249,393	\$ 153,633,774	\$ 9,678,883,167

Pre-1996 Fund Balance Sheet
Summary Statement of Fund Resources and Liabilities
June 30, 2006

PRESENT RESOURCES AND EXPECTED FUTURE RESOURCES

	Annuities	Pensions	Total
A. Funding value of system assets			
1. Net assets from Fund financial statements	\$3,641,241,504	\$ 1,910,609,504	\$ 5,551,851,008
2. Funding value adjustment	(48,946,759)	(25,683,038)	(74,629,797)
3. Funding value of assets	3,592,294,745	1,884,926,466	5,477,221,211
B. Actuarial present value of expected future employer contributions			
1. For normal costs	0	1,133,446,589	1,133,446,589
2. For unfunded actuarial accrued liability	6,958,431	9,518,290,962	9,525,249,393
3. Total	6,958,431	10,651,737,551	10,658,695,982
C. Present value of expected future member contributions	530,865,811 *	0	530,865,811 *
D. Total Present and Future Resources	\$4,130,118,987	\$12,536,664,017	\$16,666,783,004

**ACTUARIAL PRESENT VALUE OF EXPECTED FUTURE
BENEFIT PAYMENTS AND RESERVES**

	Annuities	Pensions	Total
A. To retired members and beneficiaries			
1. Annual benefits	\$ 739,329,648	\$ 5,498,785,649	\$ 6,238,115,297
2. Reserve	0	0	0
3. Totals	739,329,648	5,498,785,649	6,238,115,297
B. To vested terminated members	203,774,561	157,242,315	361,016,876
C. To present active members			
1. Allocated to service rendered prior to valuation date	2,656,148,967	5,747,189,464	8,403,338,431
2. Allocated to service likely to be rendered after valuation date	530,865,811 *	1,133,446,590	1,664,312,401
3. Total	3,187,014,778	6,880,636,054	10,067,650,832
D. Total Actuarial Present Value of Expected Future Benefit Payments and Reserves	\$4,130,118,987	\$12,536,664,018	\$16,666,783,005

* Based on 3% mandatory member contributions.

1996 Fund Balance Sheet
Summary Statement of Fund Resources and Obligations
June 30, 2006

PRESENT RESOURCES AND EXPECTED FUTURE RESOURCES

	Annuities	Pensions	Total
A. Funding value of system assets			
1. Net assets from Fund financial statements	\$ 628,998,925	\$1,610,573,899	\$2,239,572,824
2. Funding value adjustment	(8,455,209)	(21,649,861)	(30,105,070)
3. Funding value of assets	620,543,716	1,588,924,038	2,209,467,754
B. Actuarial present value of expected future employer contributions			
1. For normal costs	0	1,464,208,375	1,464,208,375
2. For unfunded actuarial accrued liability	252,600	153,381,174	153,633,774
3. Total	252,600	1,617,589,549	1,617,842,149
C. Present value of expected future member contributions	670,202,938 *	0	670,202,938 *
D. Total Present and Future Resources	\$1,290,999,254	\$3,206,513,587	\$4,497,512,841

**ACTUARIAL PRESENT VALUE OF EXPECTED FUTURE
BENEFIT PAYMENTS AND RESERVES**

	Annuities	Pensions	Total
A. To retired members and beneficiaries			
1. Annual benefits	\$ 26,838,685	\$ 255,799,206	\$ 282,637,891
2. Reserve	0	0	0
3. Totals	26,838,685	255,799,206	282,637,891
B. To vested terminated members	66,018,471	27,354,676	93,373,147
C. To present active members			
1. Allocated to service rendered prior to valuation date	\$27,939,160	1,459,151,330	1,987,090,490
2. Allocated to service likely to be rendered after valuation date	670,202,938 *	1,464,208,375	2,134,411,313
3. Total	1,198,142,098	2,923,359,705	4,121,501,803
D. Total Actuarial Present Value of Expected Future Benefit Payments	\$1,290,999,254	\$3,206,513,587	\$4,497,512,841

* Based on 3% mandatory member contributions.



Investment Reports

Some information in this section of the 2007 Annual report is included courtesy of Callan Associates, Inc Investment Measurement Service and are excerpts of the – Indiana State Teachers' Retirement Fund Quarterly Review.

Callan Associates Inc. Disclaimer:

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2007 by Callan Associates Inc.

Annuity Savings Account Investment Options Rates of Return

For the Fiscal Year Ending June 30

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
S&P500 Index Fund	20.59%	8.59%	6.35%	18.99%	0.31%
Small Cap Equity Fund	20.02%	10.12%	10.07%	29.28%	-1.33%
International Fund	30.69%	29.74%	14.06%	29.58%	-7.15%
Bond Fund	7.35%	0.23%	7.16%	2.15%	13.85%
Guaranteed Fund	5.50%	6.00%	6.25%	6.75%	7.00%

*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

RATES OF RETURN FOR EMPLOYER INVESTMENTS

For the Fiscal Year Ending June 30

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Large Cap Equities	19.88%	8.72%	7.07%	19.07%	0.76%
Mid Cap Equities	13.50%	11.68%	16.61%	27.65%	-5.10%
Small Cap Equities	20.57%	10.55%	11.55%	30.32%	-0.76%
International Equities	30.73%	28.16%	14.28%	26.80%	-8.23%
Fixed Income	7.35%	1.00%	6.84%	1.80%	12.17%
Real Estate	17.22%	-0.26%	0.00%	0.00%	0.00%
Private Equity	24.09%	23.11%	22.37%	7.28%	9.35%
Absolute Return	8.83%	6.19%	n/a	n/a	n/a
COMPOSIT RETURN	18.17%	11.43%	8.64%	11.82%	6.17%

*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

EMPLOYER ASSET ALLOCATION

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Large Cap Equities	31.0%	31.0%	42.8%	49.2%	30.8%
Mid Cap Equities	4.4%	4.8%	4.8%	4.6%	4.0%
Small Cap Equities	10.3%	9.8%	9.6%	7.5%	8.1%
International Equities	21.2%	20.3%	19.6%	18.6%	13.9%
Fixed Income	20.8%	23.2%	21.5%	19.3%	42.7%
Real Estate	4.4%	3.4%	0%	0.00%	0.00%
Private Equity	3.7%	2.8%	1.7%	0.9%	0.5%
Absolute Return	4.2%	4.7%	n/a	n/a	n/a
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

**Callan Associates Inc.
Investment Measurement Service
Quarterly Review**

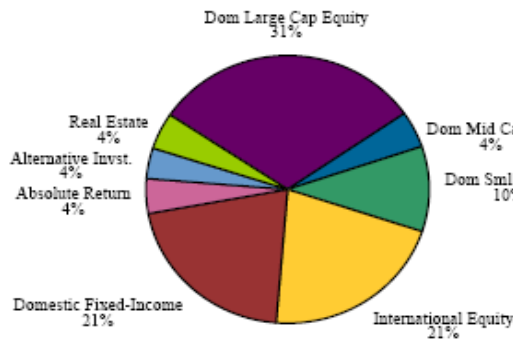
**Indiana State Teachers' Retirement Fund
June 30, 2007**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2007 by Callan Associates Inc.

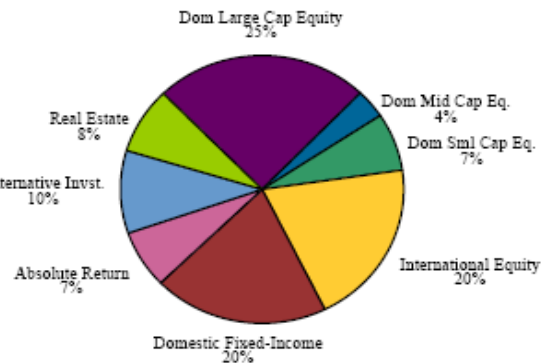
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of June 30, 2007. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

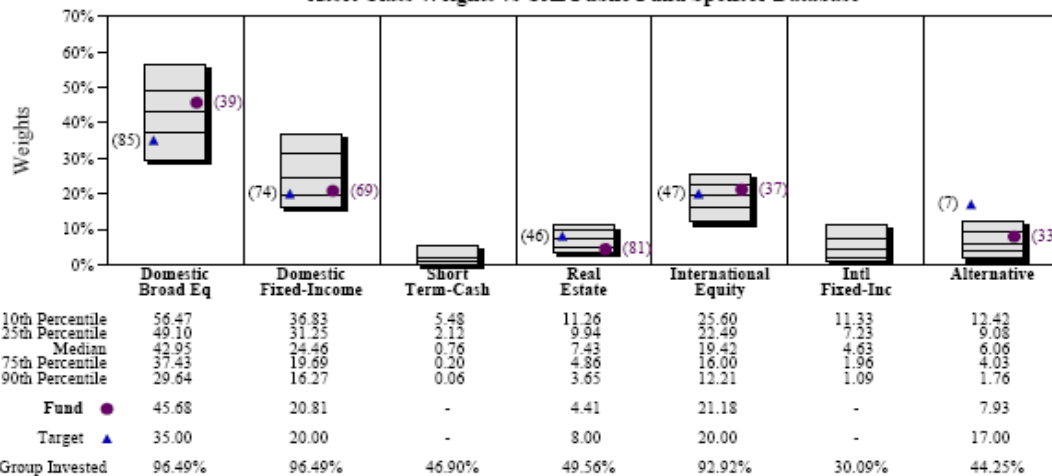


Target Asset Allocation



Asset Class	\$Millions Actual	Percent Actual	Percent Target	Percent Difference	\$Millions Difference
Dom Large Cap Equity	1,706	31.0%	24.5%	6.5%	358
Dom Mid Cap Eq.	243	4.4%	3.5%	0.9%	50
Dom Sml Cap Eq.	564	10.3%	7.0%	3.3%	179
International Equity	1,165	21.2%	20.0%	1.2%	65
Domestic Fixed-Income	1,145	20.8%	20.0%	0.8%	44
Absolute Return	231	4.2%	7.0%	(2.8%)	(154)
Alternative Invst.	205	3.7%	10.0%	(6.3%)	(345)
Real Estate	242	4.4%	8.0%	(3.6%)	(198)
Total	5,501	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



* Current Quarter Target = 24.5% S&P 500, 20.0% MSCI EAFE Index, 20.0% L/B Agg, 10.0% Dow Jones Wilshire 5000, 8.0% NCREIF Total Index, 7.0% Russell 2000, 7.0% 90 Day T-Bill + 5% and 3.5% S&P Mid Cap 400.

Indiana State Teachers' Retirement Fund (Employer Assets)

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.



Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2007, with the distribution as of March 31, 2007.

Asset Distribution Across Investment Managers

	June 30, 2007		March 31, 2007	
	Market Value	Percent	Market Value	Percent
Employer Assets	\$5,501,174,931	61.78%	\$5,254,901,326	61.12%
Domestic Large Cap Equity	1,705,867,509	19.16%	1,616,980,384	18.81%
Domestic Mid Cap Equity	242,723,100	2.73%	230,399,711	2.68%
Domestic Small Cap Equity	564,258,716	6.34%	527,930,522	6.14%
International Equity	1,165,314,809	13.09%	1,077,160,449	12.53%
Domestic Fixed-Income	1,144,567,439	12.85%	1,247,766,269	14.51%
Absolute Return	230,883,568	2.59%	224,109,092	2.61%
Alternative Investment	205,212,619	2.30%	173,123,339	2.01%
Real Estate	242,347,171	2.72%	157,431,560	1.83%
Employee Assets	\$3,403,188,857	38.22%	\$3,342,326,135	38.88%
Domestic Large Cap Equity	708,659,317	7.96%	684,151,726	7.96%
Domestic Small Cap Equity	399,478,926	4.49%	379,634,395	4.42%
International Equity	224,810,574	2.52%	202,180,093	2.35%
Domestic Fixed-Income	2,070,240,040	23.25%	2,076,359,921	24.15%
Total Fund	\$8,904,363,788	100.0%	\$8,597,227,461	100.0%

Indiana State Teachers' Retirement Fund

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.



Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2007, with the distribution as of June 30, 2006.

Asset Distribution Across Investment Managers

	June 30, 2007		June 30, 2006	
	Market Value	Percent	Market Value	Percent
Domestic Equity	\$3,620,987,568	40.67%	\$3,051,293,283	39.44%
Large Cap Equity	\$2,414,526,826	27.12%	\$2,033,903,611	26.29%
Passive				
BGI (Equity Index)	814,127,545	9.14%	696,011,313	9.00%
Rhumbline	471,702,028	5.30%	391,413,459	5.06%
BGI (Russell 3000)	-	-	12,054	0.00%
Enhanced				
PIMCO	684,967,983	7.69%	564,745,344	7.30%
Growth				
INTECH	202,025,260	2.27%	124,878,714	1.61%
H-S&Y	-	-	56,992,934	0.74%
Value				
Earnest	85,730,825	0.96%	72,465,800	0.94%
ICAP	78,549,063	0.88%	64,282,648	0.83%
Barrow Hanley	77,424,122	0.87%	63,101,345	0.82%
Mid Cap Equity	\$242,723,100	2.73%	\$214,307,233	2.77%
Core				
Franklin Associates	242,723,100	2.73%	214,307,233	2.77%
Small Cap Equity	\$963,737,642	10.82%	\$803,082,439	10.38%
Growth				
Aetna Capital Management	250,774,222	2.82%	209,598,282	2.71%
Wells	256,574,397	2.88%	204,458,739	2.64%
Value				
BGI R2000VL I	220,496,039	2.48%	189,503,881	2.45%
Brandywine Capital Mgmt	235,892,984	2.65%	199,521,537	2.58%
International Equity	\$1,390,125,383	15.61%	\$1,068,471,789	13.81%
Alliance Capital Mgmt	105,938	0.00%	60,686	0.00%
Bank of Ireland	-	-	33,592	0.00%
Alliance Bernstein	253,999,422	2.85%	195,051,328	2.52%
Fisher	183,962,088	2.07%	146,278,345	1.89%
Gryphon	238,361,748	2.68%	185,253,377	2.39%
Manning & Napier	54,323,653	0.61%	40,189,500	0.52%
State Street	659,372,534	7.41%	504,604,961	6.52%
Domestic Fixed-Income	\$3,214,807,479	36.10%	\$3,124,652,918	40.39%
Alliance Capital Mgmt	1,436,063,482	16.13%	1,372,736,465	17.74%
Reams Asset Management	1,444,261,505	16.22%	1,372,932,920	17.75%
Taplin, Canada & Habacht	322,756,418	3.62%	304,192,193	3.93%
Cash Flow Account	11,726,074	0.13%	74,791,340	0.97%
Absolute Return	\$230,883,568	2.59%	\$212,284,268	2.74%
Bridgewater	109,580,767	1.23%	106,555,227	1.38%
GMO	121,302,801	1.36%	105,729,041	1.37%
Real Estate	\$242,347,171	2.72%	\$182,535,687	1.97%
TA Associates VII	31,139,578	0.35%	30,804,070	0.40%
TA Associates VIII	7,500,000	0.08%	-	-
RREEF	143,707,593	1.61%	121,731,617	1.57%
RREEF Global	60,000,000	0.67%	-	-
Alternative Investment	\$205,212,619	2.30%	\$127,170,031	1.64%
Portfolio Advisors	201,178,999	2.26%	127,170,031	1.64%
Credit Suisse	4,033,620	0.05%	-	-
Total Fund	\$8,904,363,788	100.0%	\$7,736,407,976	100.0%

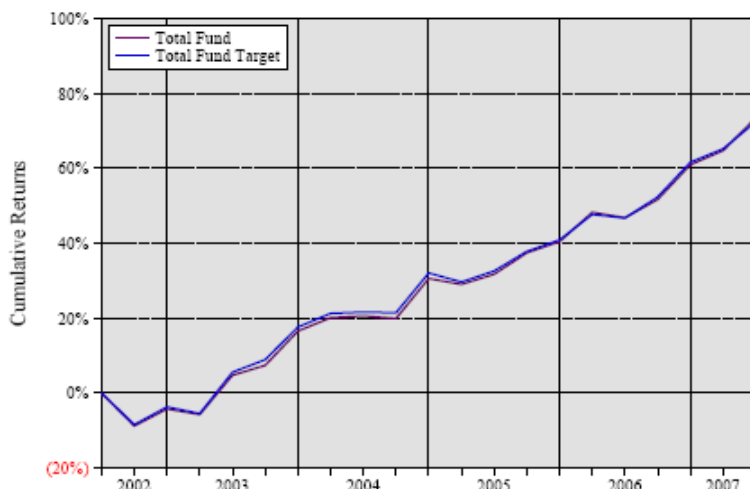
Indiana State Teachers' Retirement Fund

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.

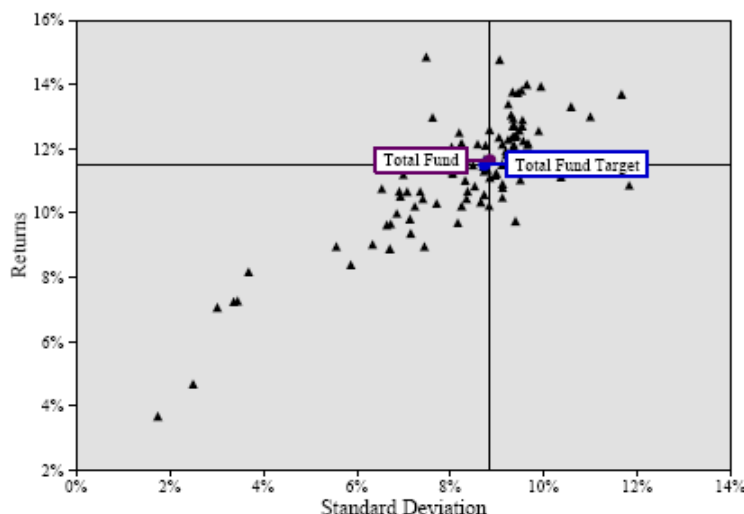
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Five Year Annualized Risk vs Return



Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 24.5% S&P 500, 20.0% MSCI EAFE Index, 20.0% L/B Agg, 10.0% Dow Jones Wilshire 5000, 8.0% NCREIF Total Index, 7.0% Russell 2000, 7.0% 90 Day T-Bill + 5 % and 3.5% S&P Mid Cap 400.

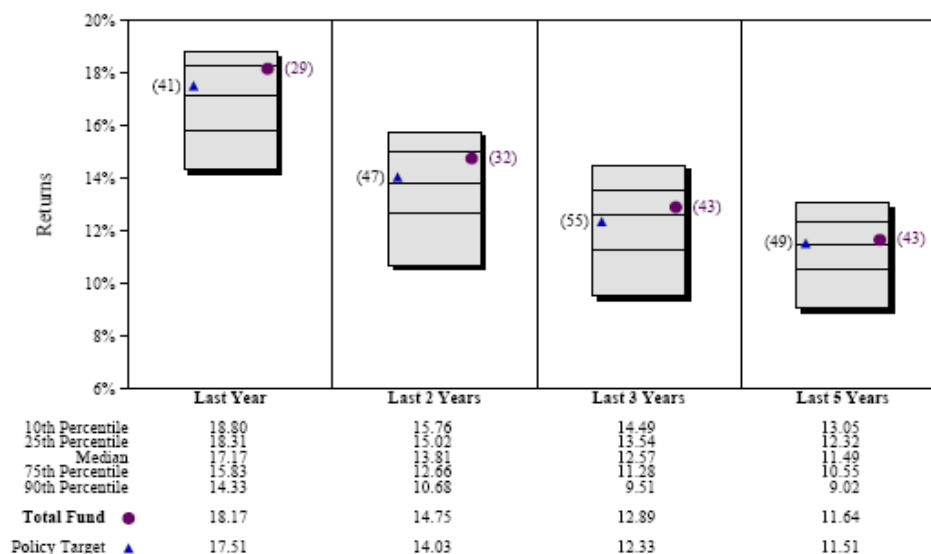
Indiana State Teachers' Retirement Fund (Employer Assets)

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.

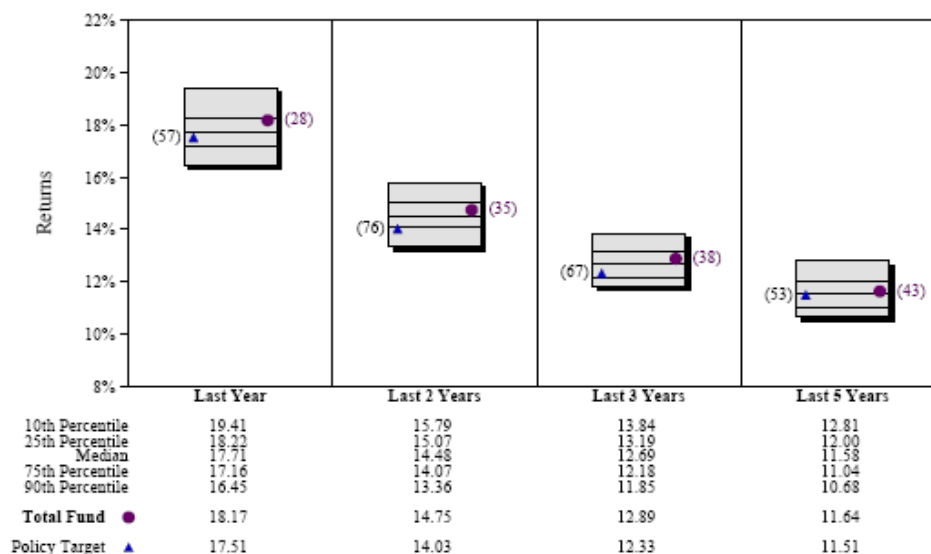
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended June 30, 2007. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund.

CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



* Current Quarter Target = 24.5% S&P 500, 20.0% MSCI EAFE Index, 20.0% L/B Agg, 10.0% Dow Jones Wilshire 5000, 8.0% NCREIF Total Index, 7.0% Russell 2000, 7.0% 90 Day T-Bill + 5 % and 3.5% S&P Mid Cap 400.

Indiana State Teachers' Retirement Fund (Employer Assets)

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.

TOTAL DOMESTIC EQUITY PERIOD ENDED JUNE 30, 2007



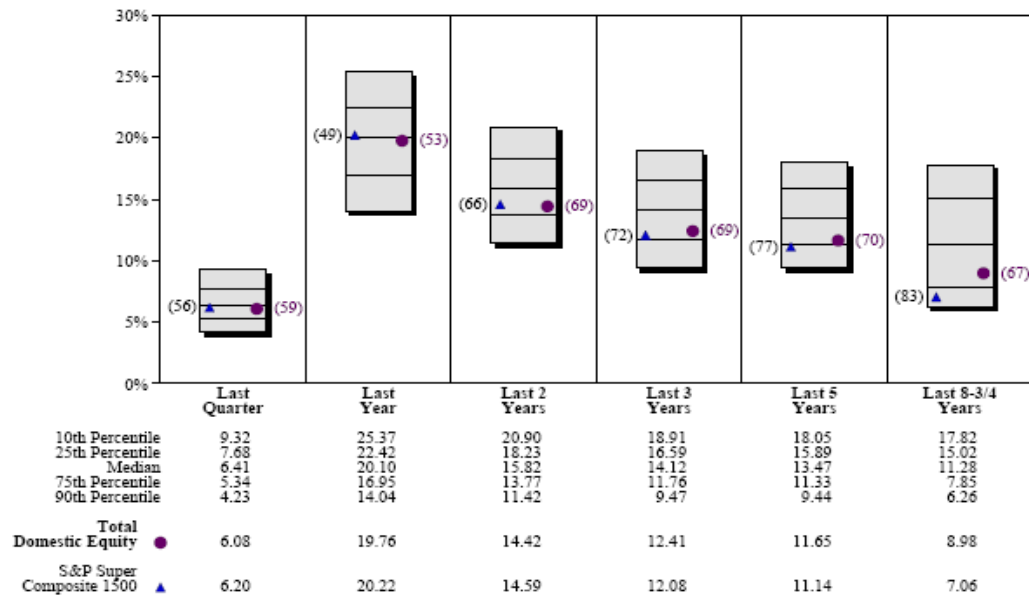
Investment Philosophy

The Total Equity Database is a broad collection of actively managed separate account domestic equity products. Equity funds concentrate their investments in common stocks and convertible securities. Funds included maintain well-diversified portfolios.

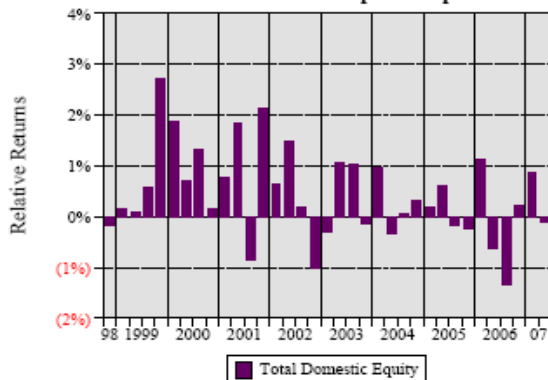
Quarterly Summary and Highlights

- Total Domestic Equity's portfolio posted a 6.08% return for the quarter placing it in the 59 percentile of the CAI Total Domestic Equity Database group for the quarter and in the 53 percentile for the last year.
- Total Domestic Equity's portfolio underperformed the S&P Super Composite 1500 by 0.12% for the quarter and underperformed the S&P Super Composite 1500 for the year by 0.46%.

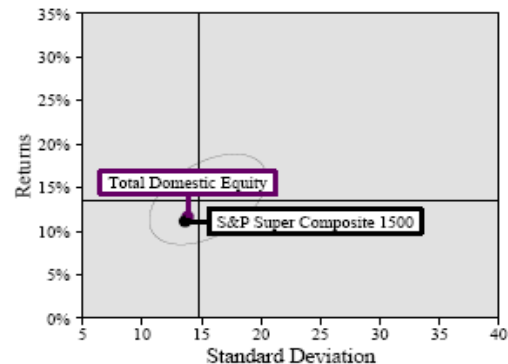
Performance vs CAI Total Domestic Equity Database



Relative Return vs S&P Super Composite 1500



CAI Total Domestic Equity Database Annualized Five Year Risk vs Return



Indiana State Teachers' Retirement Fund

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.

TOTAL FIXED-INCOME PERIOD ENDED JUNE 30, 2007



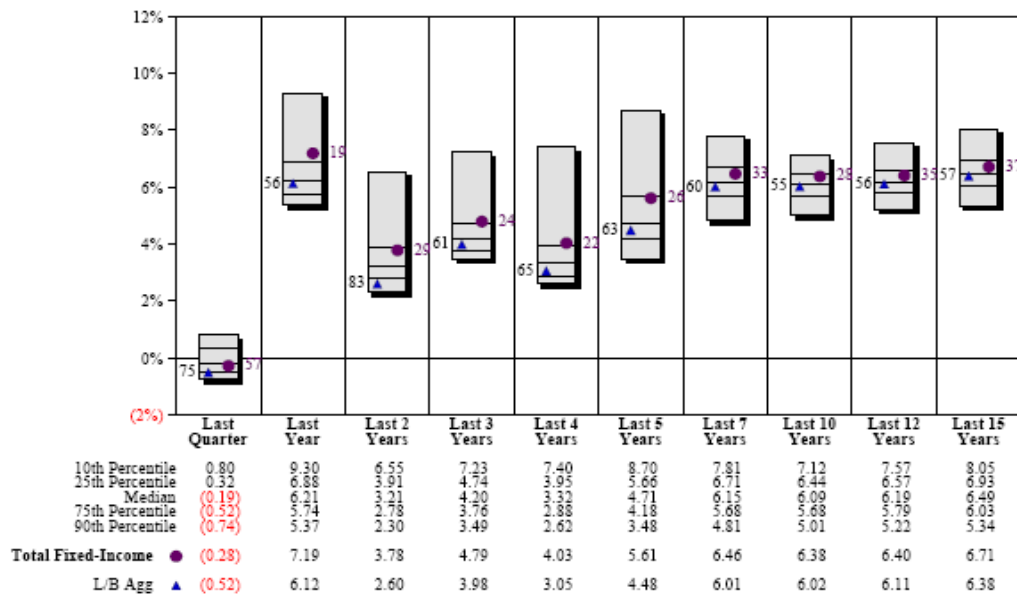
Investment Philosophy

The Total Fixed-Income Database is a broad collection of separate account domestic fixed-income products. Fixed-Income funds concentrate their investments in bonds, preferred stocks, and money market securities.

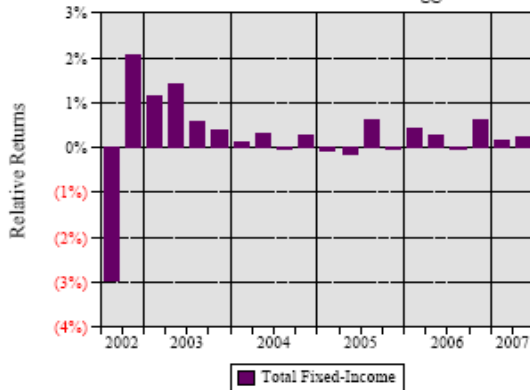
Quarterly Summary and Highlights

- Total Fixed-Income's portfolio posted a (0.28)% return for the quarter placing it in the 57 percentile of the CAI Total Domestic Fixed-Inc Database group for the quarter and in the 19 percentile for the last year.
- Total Fixed-Income's portfolio outperformed the L/B Agg by 0.24% for the quarter and outperformed the L/B Agg for the year by 1.06%.

Performance vs CAI Total Domestic Fixed-Inc Database

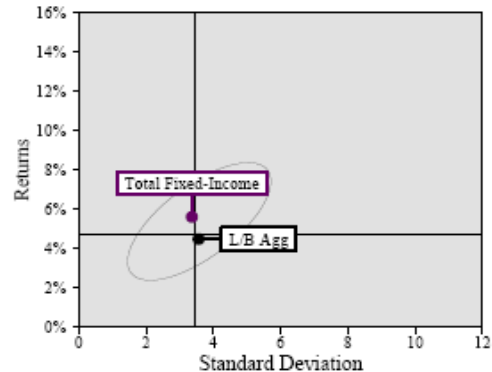


Relative Return vs L/B Agg



Indiana State Teachers' Retirement Fund

CAI Total Domestic Fixed-Inc Database Annualized Five Year Risk vs Return



The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.



Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2007. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2007

	Market Value \$(Dollars)	Ending Weight	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 8-3/4 Years
Domestic Equity	\$3,620,987,568	40.67%	6.08%	19.76%	12.41%	11.65%	8.98%
Large Cap Equity	\$2,414,526,826	27.12%	6.06%	20.09%	11.81%	10.89%	6.49%
Passive	\$1,285,829,573	14.44%	6.26%	20.58%	12.02%	10.92%	-
BGI (Equity Index)	\$14,127,545	9.14%	6.27%	20.58%	11.69%	10.72%	6.25%
Rushmore Advisors	471,702,028	5.30%	6.24%	20.55%	11.70%	10.75%	-
Standard & Poor's 500	-	-	6.28%	20.59%	11.68%	10.71%	6.24%
Enhanced	\$684,967,983	7.69%	6.11%	21.44%	12.04%	11.41%	-
PIMCO	684,967,983	7.69%	6.11%	21.44%	12.04%	11.41%	6.18%
Standard & Poor's 500	-	-	6.28%	20.59%	11.68%	10.71%	6.24%
Growth	\$202,025,260	2.27%	3.40%	11.63%	6.54%	8.04%	-
INTECH	202,025,260	2.27%	3.40%	12.50%	8.21%	11.26%	-
S&P 500 Growth	-	-	6.63%	19.37%	8.31%	8.57%	3.59%
Value	\$241,704,010	2.71%	7.12%	21.46%	14.89%	12.18%	-
Earnest	85,730,825	0.96%	7.66%	18.80%	16.45%	14.83%	-
ICAP	78,549,063	0.88%	6.90%	22.83%	16.56%	12.50%	-
Barrow Hanley	77,424,122	0.87%	6.76%	23.16%	-	-	-
S&P 500 Value	-	-	5.95%	21.77%	15.09%	12.84%	8.57%
Mid Cap Equity	\$242,723,100	2.73%	5.40%	13.50%	13.91%	12.36%	-
Franklin Portfolio Assoc.	242,723,100	2.73%	5.40%	13.50%	13.91%	14.07%	-
S&P 400 Mid Cap	-	-	5.84%	18.51%	15.15%	14.17%	14.32%
Small Cap Equity	\$963,737,642	10.82%	6.31%	20.57%	14.16%	13.98%	15.64%
Growth	\$507,348,619	5.70%	8.88%	23.34%	14.43%	13.59%	-
Aetna Capital Management	250,774,222	2.82%	7.99%	20.48%	13.78%	12.92%	9.59%
Wells	256,574,397	2.88%	9.77%	26.29%	-	-	-
Russell 2000 Growth	-	-	6.69%	16.83%	11.76%	13.08%	7.64%
Value	\$456,389,023	5.13%	3.59%	17.64%	12.62%	13.35%	-
BGI R2000VL I	220,496,039	2.48%	2.36%	16.40%	-	-	-
Brandywine Asset Management	235,892,984	2.65%	4.76%	18.81%	14.74%	14.36%	14.85%
Russell 2000 Value	-	-	2.30%	16.05%	15.02%	14.62%	14.19%
International Equity	\$1,390,125,383	15.61%	8.77%	30.82%	24.21%	17.40%	10.66%
Alliance Capital Management	105,938	0.00%	-	-	-	-	-
Alliance Bernstein	253,999,422	2.85%	9.48%	32.97%	-	-	-
Fisher	183,962,088	2.07%	9.71%	26.52%	-	-	-
Gryphon	238,361,748	2.68%	8.26%	29.31%	-	-	-
Manning & Napier	54,323,653	0.61%	6.99%	36.02%	-	-	-
State Street	659,372,534	7.41%	8.58%	31.42%	-	-	-
International Benchmark*	-	-	8.42%	30.15%	23.84%	18.65%	10.47%
Alternative Investment	\$205,212,619	2.30%	9.58%	24.09%	23.19%	17.01%	-
Portfolio Advisors	201,178,999	2.26%	9.58%	24.09%	23.19%	17.01%	-
Credit Suisse	4,033,620	0.05%	-	-	-	-	-
Post Venture Cap Index	-	-	9.17%	20.69%	10.78%	16.61%	5.17%
Composite Fund	\$8,904,363,788	100.00%	4.15%	15.95%	10.91%	10.12%	7.67%

*International Benchmark is MSCI EAFE through June 30, 2005 and MSCI ACWI ex US thereafter.
Indiana State Teachers' Retirement Fund

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2007. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2007

	Market Value \$(Dollars)	Ending Weight	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years
Domestic Fixed-Income	\$3,214,807,479	36.10%	(0.28%)	7.19%	3.78%	4.79%	4.03%
Alliance Capital Mgmt.	1,436,063,482	16.13%	0.05%	6.89%	3.36%	4.45%	3.63%
Reams Asset Management	1,444,261,505	16.22%	(0.66%)	7.49%	3.85%	4.97%	4.28%
Taplin, Canada & Hobacht	322,756,418	3.62%	(0.28%)	6.05%	3.55%	4.15%	3.97%
Lehman Brothers Agg.	-	-	(0.52%)	6.12%	2.60%	3.98%	3.05%
Absolute Return	\$230,883,568	2.59%	2.90%	8.83%	-	-	-
Bridgewater	109,580,767	1.23%	1.78%	2.82%	-	-	-
GMO	121,302,801	1.36%	3.94%	14.89%	-	-	-
Real Estate	\$242,347,171	2.72%	13.57%	17.22%	-	-	-
TA Associates VII	31,139,578	0.35%	1.38%	13.92%	-	-	-
TA Associates VIII	7,500,000	0.08%	-	-	-	-	-
RREEF	143,707,593	1.61%	17.01%	18.05%	-	-	-
RREEF Global	60,000,000	0.67%	-	-	-	-	-
Cash Flow Account	11,726,074	0.13%	1.32%	10.45%	10.53%	10.47%	9.27%
Treasury Bills	-	-	1.28%	5.21%	4.59%	3.77%	3.07%
Composite Fund	\$8,904,363,788	100.00%	4.15%	15.95%	12.06%	10.91%	11.13%
Standard & Poor's 500	-	-	6.28%	20.59%	14.45%	11.68%	13.49%
Domestic Equity Database	-	-	6.61%	19.85%	16.00%	13.86%	16.60%
Domestic Fixed Database	-	-	(0.11%)	6.62%	3.73%	4.68%	3.98%

Indiana State Teachers' Retirement Fund

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.



Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2007. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2007

	Market Value \$(Dollars)	Ending Weight	Last 5 Years	Last 7 Years	Last 10 Years	Last 12 Years	Last 15 Years
Domestic Fixed-Income	\$3,214,807,479	36.10%	5.61%	6.46%	6.38%	6.40%	6.71%
Alliance Capital Mgmt	1,436,063,482	16.13%	5.55%	6.60%	6.67%	6.67%	7.38%
Reams Asset Mgmt	1,444,261,505	16.22%	5.63%	6.29%	6.63%	6.74%	-
Taplin, Canida & Habacht	322,756,418	3.62%	6.00%	6.78%	6.45%	6.46%	-
Lehman Brothers Aggregate	-	-	4.48%	6.01%	6.02%	6.11%	6.38%
Cash Flow Account	11,726,074	0.13%	7.93%	6.77%	6.23%	6.17%	5.80%
Treasury Bills	-	-	2.76%	3.18%	3.80%	4.05%	4.04%
Composite Fund	\$8,904,363,788	100.00%	10.12%	6.85%	8.07%	7.82%	7.84%
Lehman Brothers Aggregate	-	-	4.48%	6.01%	6.02%	6.11%	6.38%
Total Fixed-Income Database	-	-	5.35%	6.24%	6.13%	6.31%	6.61%
Core Bond Fixed-Inc. Style	-	-	4.78%	6.17%	6.12%	6.23%	6.56%

Indiana State Teachers' Retirement Fund

The above information included courtesy of Callan Associates, Inc Investment Measurement Service – Indiana State Teachers' Retirement Fund Quarterly Review.



Investment Benchmarks



Information in this section of the 2007 Annual report is included courtesy of CEM Benchmarking, Inc., and are excerpts of the *Defined Benefit Investment Cost Effectiveness Analysis Report* (for the 5 years ending December 31, 2006).

CEM Benchmarking Disclaimer:

Prepared July 23, 2007 by:



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www.cembenchmarking.com

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Defined Benefit Investment Cost Effectiveness Analysis

(for the 5 years ending December 31, 2006)

Indiana State Teachers' Retirement Fund

Prepared July 23, 2007 by:



80 Richmond Street West, Suite 1300, Toronto, ON M5H 2A4

Tel: 416-369-0568 Fax: 416-369-0879

www.cembenchmarking.com

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Benchmarking Report

Indiana State Teachers' Retirement Fund

This benchmarking report compares your cost and return performance to CEM's extensive pension database.

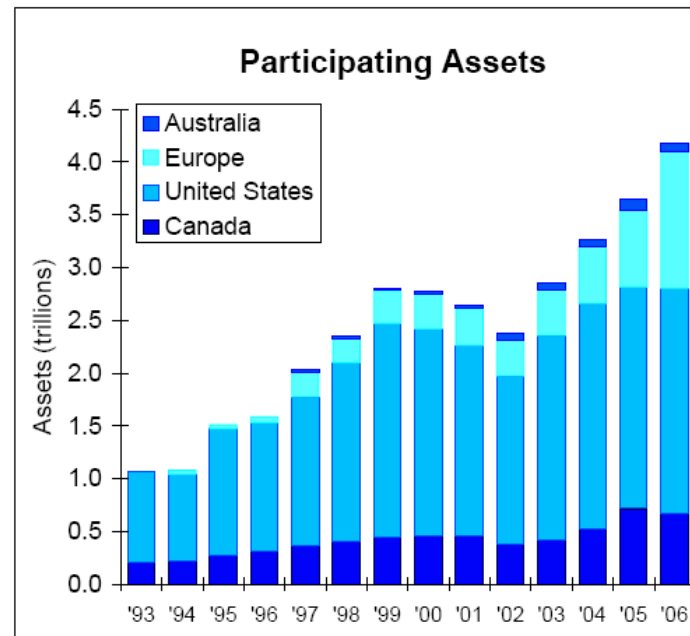
- 125 U.S. pension funds participate. They represent 30% of U.S. defined benefit assets. The median U.S. fund had assets of \$6.2 billion, while the average U.S. fund had assets of \$17.1 billion. Total participating U.S. assets were \$2.1 trillion.

- 94 Canadian funds participate representing 70% of Canadian defined benefit assets.

- 17 European funds participate with aggregate assets of €690 billion. Included are funds from The Netherlands, Norway, Sweden, Finland, France and Ireland.

- 4 Australian funds participate with aggregate assets of A\$75.2 billion.

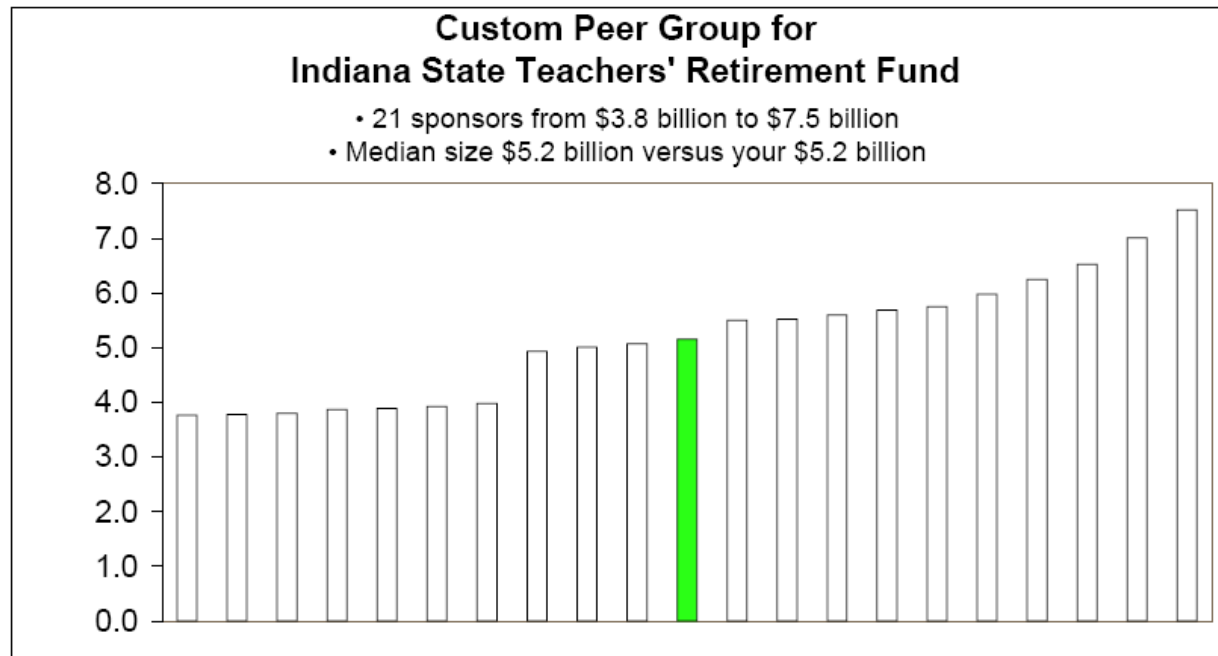
The most meaningful comparisons for your returns and value added are to the U.S. Universe.



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Executive Summary - 1 -

Custom Peer Group Comparisons for Cost Performance

The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.



In order to preserve client confidentiality, we do not disclose your peers' names in this document because of the Freedom of Information Act.

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Executive Summary - 2 -

Measuring and Comparing the Right Things

Indiana State Teachers' Retirement Fund

What gets measured gets managed, so it is critical that you measure and compare the right things:

1. Policy Return

How did the impact of your policy asset mix decision compare to other funds?

2. Implementation Value Added

Are your implementation decisions (i.e., mostly active management) adding value?

3. Implementation Risk

How much risk was taken to obtain your Implementation Value Added?

4. Costs

Are your costs reasonable?
Costs matter and can be managed.

5. Cost Effectiveness

Net Implementation Value Added versus Excess Cost.
Does paying more get you more?

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Executive Summary - 3 -

US Total Returns – Quartile Rankings

Indiana State Teachers' Retirement Fund

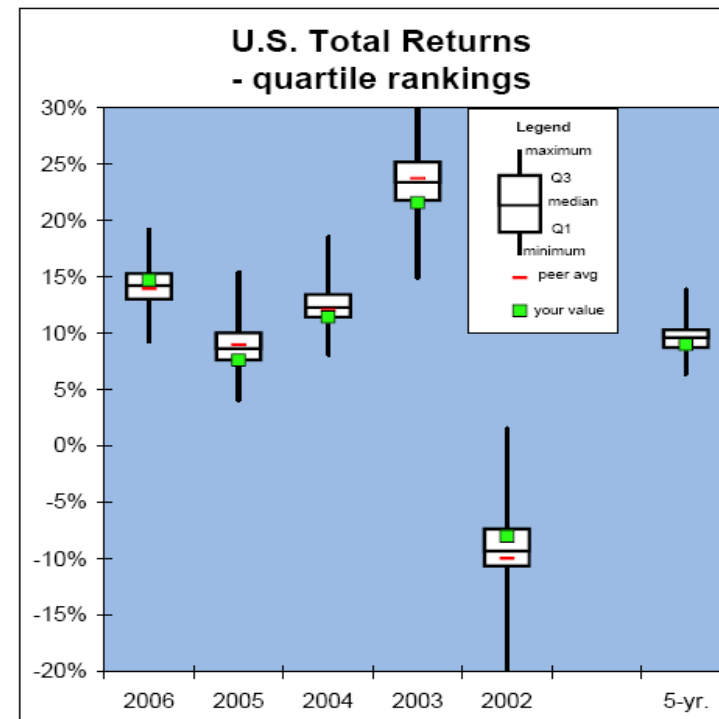
Total Returns, by themselves, are the wrong measure to compare and focus on.

Total Returns do not tell you the reasons behind good or bad relative performance.

Therefore, we separate Total Return into its more meaningful components - Policy Return and Implementation Value Added.

	Your 5-yr.
Total Fund Return	9.0%
Policy Return	9.4%
Implementation Value Added	-0.4%

This approach enables you to understand the contribution from both policy asset mix decisions (which tend to be the Board's responsibility) and implementation decisions (which tend to be management's responsibility).



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Executive Summary - 4 -

5-Year Policy Returns

Indiana State Teachers' Retirement Fund

1. Policy Return

Your 5-year Policy Return of 9.4% was above the U.S. median of 9.1%.

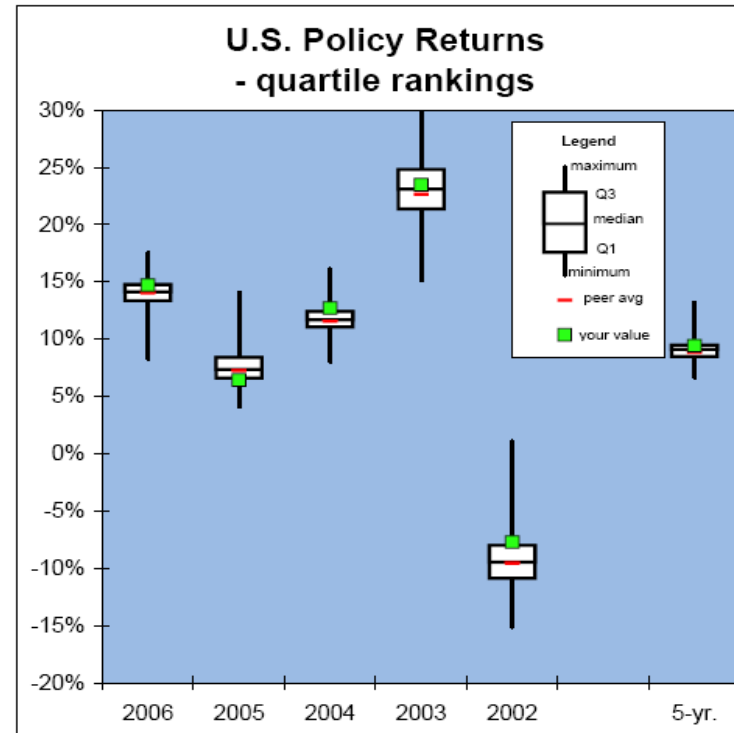
Your Policy Return is the return you could have earned passively by indexing your investments according to your investment policy asset mix.

Having a higher or lower relative Policy Return is not necessarily good or bad. This is because your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk

Each of these three factors is different across funds. Therefore, it is not surprising that Policy Returns often vary widely between funds.

The median 5-year Policy Return of your Peers was 8.7%.



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Executive Summary - 5 -

5-Year Policy Return Differential

Indiana State Teachers' Retirement Fund

1. Why does your Policy Return differ from the average?

Your 5-year Policy Return was above the U.S. median primarily because of:

- The positive impact of your slightly higher weights in four of the best performing asset classes of the past 5 years: Small Cap Stock, EAFE and Global Stock, Real Estate & REITS and Private Equity.
- The positive impact of your lower weight in one of the poorer performing asset classes of the past 5 years: Large Cap & Broad Mkt U.S. Stock.

The above positives were partly offset by your higher weight in the poorest performing asset class of the past 5-years: Fixed Income Broad Market (your 30% weight vs a U.S. average of 26%).

5-year Average Policy Asset Mix			
Asset Class	Your Fund	Peer Avg	US Avg
Large Cap, Broad Mkt US	30%	41%	39%
Small Cap Stock	11%	4%	5%
EAFE and Global Stock	17%	15%	15%
Emerging Mkt Stock	0%	1%	1%
Total Stock	58%	61%	60%
Fixed Income Broad Mkt	30%	25%	26%
Fixed Income Other	0%	4%	4%
Cash	0%	1%	1%
Total Fixed Income	30%	30%	30%
Real Estate & REITS	6%	5%	5%
Hedge Funds	0%	1%	1%
Private Equity	6%	2%	3%
Total	100%	100%	100%

* Your 3% 5-yr-avg weight for TAA is included with US Stocks

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Executive Summary - 6 -

Implementation Value Added

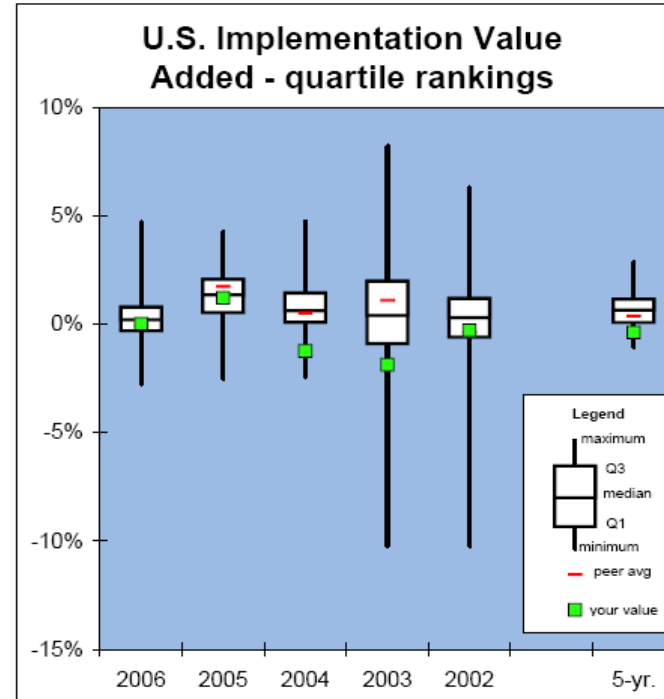
Indiana State Teachers' Retirement Fund

2. Implementation Value Added

Implementation Value Added is the component of your Total Return from active management. Your 5-yr Implementation Value Added was -0.4%.

- Your -0.4% compares to a 5-yr U.S. median of 0.7% and a peer median of 0.4%.
- Implementation value added equals your actual return minus your policy return. Implementation value added can be further broken down into value added from "In-Category" decisions (i.e., actual returns in each asset category minus benchmarks) and value added from "Mix" (i.e., value added resulting from differences between your actual versus your policy asset mix).

Year	Actual Return	Policy Return	Implementation Value Added		
			Total	In-Category	Mix
2006	14.7%	14.7%	0.0%	1.6%	-1.6%
2005	7.6%	6.4%	1.2%	1.4%	-0.2%
2004	11.5%	12.7%	-1.2%	-0.2%	-1.0%
2003	21.6%	23.5%	-1.9%	-1.5%	-0.4%
2002	-8.0%	-7.7%	-0.3%	-1.6%	1.4%
5-yr.	9.0%	9.4%	-0.4%	-0.1%	-0.3%



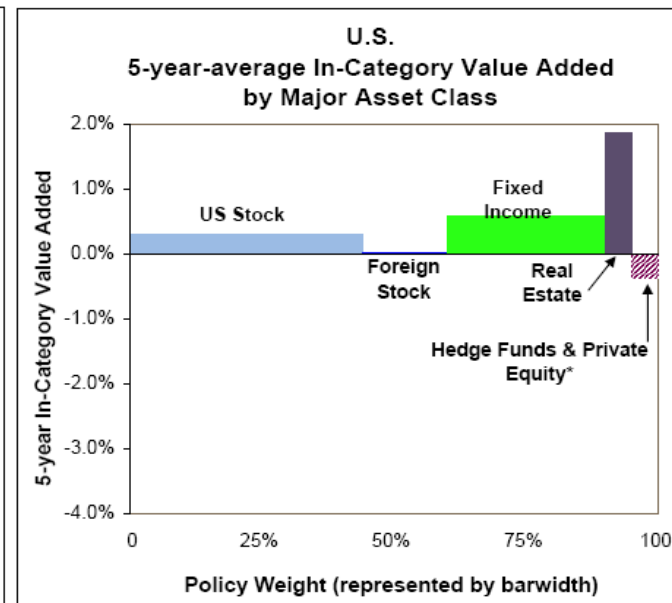
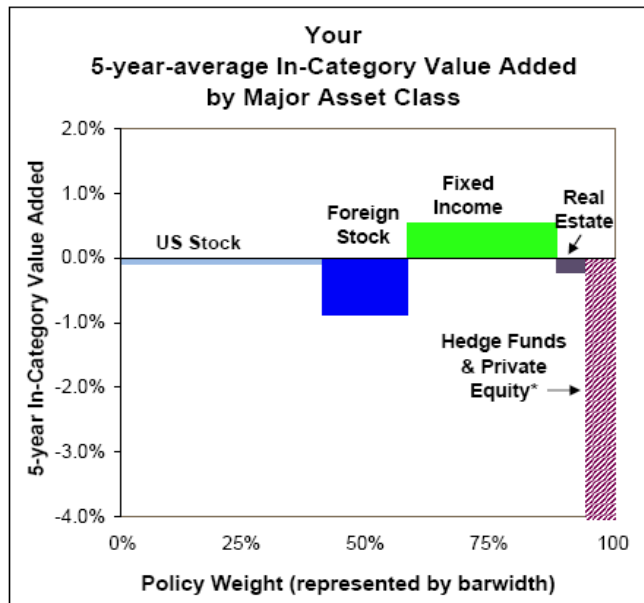
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Executive Summary - 7 -

Implementation Value Added (In Category by Asset Class)

Indiana State Teachers' Retirement Fund

2. Implementation
Value Added
- In-Category by Asset
Class

You had positive 5-year In-Category Value Added in Fixed Income



* Comparisons of value added for 'Hedge Funds & Private Equity' must be interpreted with caution because the types of investments and benchmarks can be extremely varied.

In-Category Value Added equals Policy Weights X Value Added within each Asset Category. It does not include Mix Value Added which is caused by difference between your actual holdings versus your policy asset mix.

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Executive Summary - 8 -

Implementation Risk

Indiana State Teachers' Retirement Fund

3. Implementation Risk

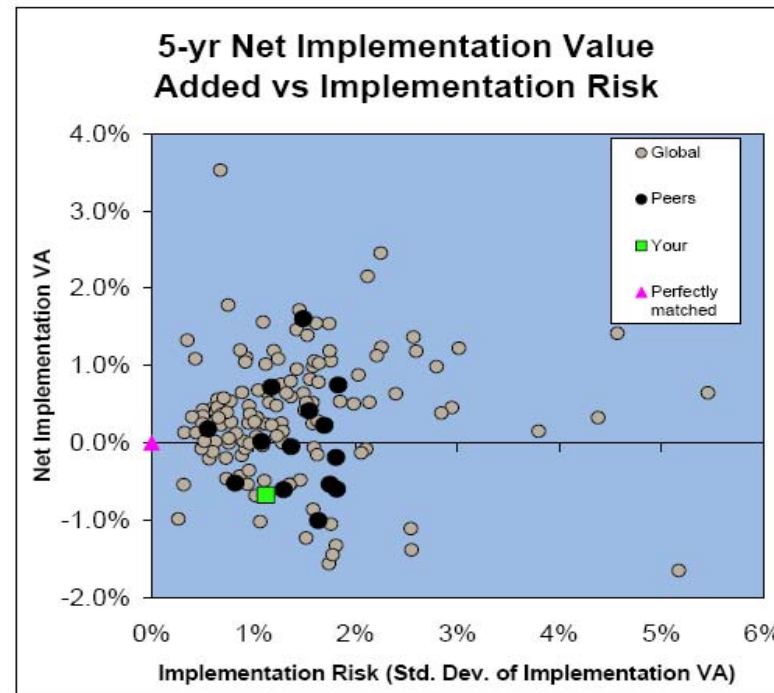
Your 5-yr Implementation Risk of 1.1% was slightly below the U.S. median of 1.3%.

"Implementation Risk" is the risk of active management. CEM defines Implementation Risk as the standard deviation of your Net Implementation Value Added.

Net Implementation Value Added equals gross Implementation Value Added minus asset management costs. Your 5-year Net Implementation Value Added was -0.7% (-0.4% gross minus 0.3% costs).

There was a slight positive relationship between Implementation Risk and Value Added over the past 5 years. On average, funds that took more Implementation Risk earned more Implementation Value Added.

Your 5-yr Information Ratio was -0.6. This compares to the peer median of 0.0 and the U.S. median of 0.3. It is a measure of the return per unit of risk.



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Executive Summary - 9 -

Total Costs

Indiana State Teachers' Retirement Fund

4. Costs - Total

**Your asset management costs (including Oversight)
in 2006 were \$22.2 million or 46.6 basis points.**

- CEM collects investment costs by major asset classes and 4 different implementation styles.

- Oversight, Custodial & Other cost includes all costs associated with the oversight and administration of the investment operation, regardless of how these costs are paid. Costs pertaining to benefit administration, such as preparing checks for retirees, are specifically excluded.

* Due to practical constraints, CEM's methodology does not include performance fees for Real Estate, Hedge Funds and Private Equity in the total cost for benchmarking purposes. However, performance fees are included for the public market asset classes.

Your Investment Management Costs (\$000s)					
Internal		External			Total
Passive	Active	Passive	Active: Base Fees	Active: Perform Fees	
		159	1,869	446	2,474
			3,076		3,076
			4,750		4,750
			945		945
			1,607		1,607
			197		197
			2,198		2,198
			6,250		6,250
Total Investment Management Costs*				45.1bp	21,496

Your Oversight, Custodial and Other Asset Related Costs (\$000s)		
Oversight of the Fund		350
Trustee & Custodial		61
Consulting and Performance Measurement		275
Audit		
Other		36
Total Oversight, Custodial & Other Costs	1.5bp	722

Total Asset Management Costs in \$000s	46.6bp	22,218
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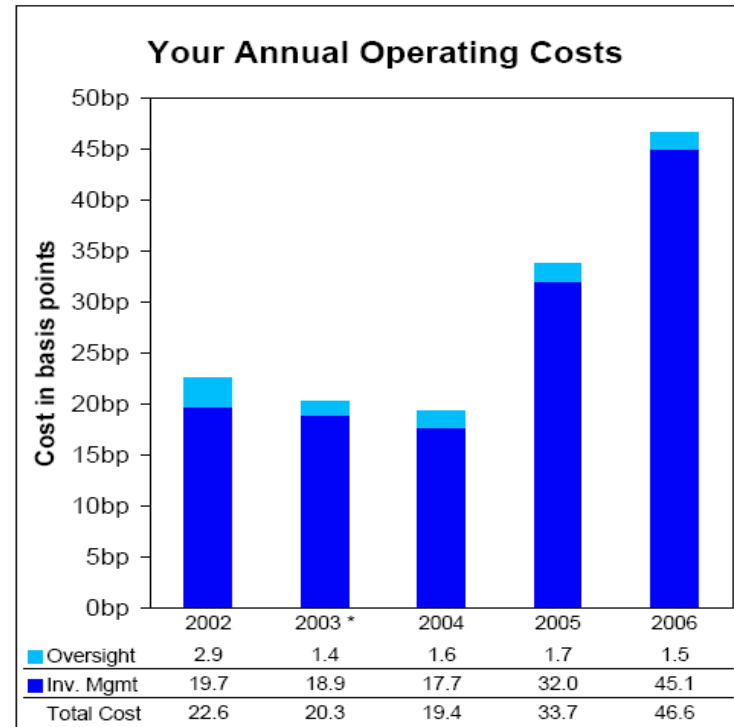
Costs History

Indiana State Teachers' Retirement Fund

4. Costs (History)

Over the last 2 years, your operating costs have increased sharply.

The primary reason why your costs have increased is that you have increased your holdings of the following higher cost asset classes: TAA, Private Equity and Real Estate.



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Costs – High or Low? - Benchmark Cost Analysis

Indiana State Teachers' Retirement Fund

4. Costs
Are they high or
low?

Benchmark Cost analysis suggests that your fund was low cost by -1.4 basis points.

To assess your cost performance, we start by calculating your Benchmark Cost. Your Benchmark Cost is an estimate of what your cost would be given your asset mix and the median costs that your peers pay for similar services.

	in \$000's	basis points
Your Fund's Actual Cost	22,218	46.6 bp
Your Fund's Benchmark Cost	<u>22,872</u>	<u>47.9 bp</u>
Your Fund's Excess Cost	-654	-1.4 bp

Your Actual Cost of 46.6 bp was slightly lower than your Benchmark Cost of 47.9 bp. Thus, your fund's Excess Cost was -1.4 bp.

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Executive Summary - 12 -

Costs – Implementation Style

Indiana State Teachers' Retirement Fund

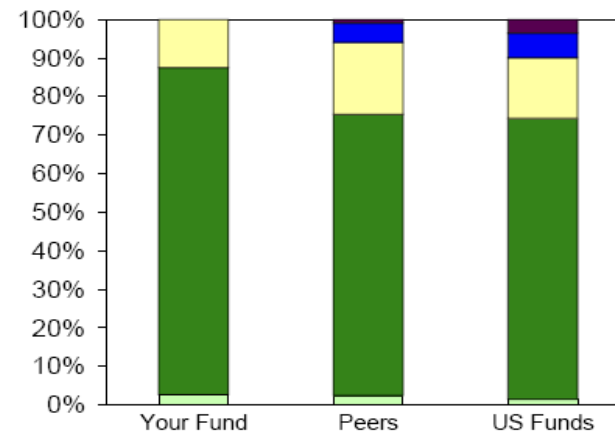
4. Costs Is it Style?

Differences in implementation style are often a key cause of differences in cost performance.

The greatest impact is usually caused by differences in:

- External active management because it tends to be much more expensive than either internal management, or passive management. Your fund used more external active management than your peers (85% versus 73% for your peers).
- Fund of fund usage because it is more expensive than investing directly.

Implementation Style



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Costs – Style Impact

Indiana State Teachers' Retirement Fund

4. Costs - Style Impact

Differences in implementation style cost you 8.4 bp relative to your peers.

Impact of Differences in Implementation Style					
		External Active % of Asset Class		Cost Premium ^{1,2}	Dollar Impact \$000
		Your%	Peer Avg%		
US Stock - Large Cap	1,597	62.0%	57.7%	24.8	172
US Stock - Small Cap	672	100.0%	78.1%	58.7	866
Stock - EAFE	984	100.0%	87.5%	37.7	464
Fixed Income - US	1,096	100.0%	83.3%	13.7	251
TAA	211	100.0%	N/A	N/A	
REITs	123	100.0%	N/A	N/A	
Real Estate ex-REITs	22	100.0%	N/A	N/A	
Venture Capital/LBO - Fund of Funds	282	100.0%	45.2%	147.9	2,283
Total		84.8%	73.0%		4,036
External Active Impact in bps					8.5 bp
Impact of differences in the use of lower cost styles ³					0.0 bp
Total Style Impact					8.4 bp

1. External Active Cost Premium is the additional cost of external active management relative to the average of other lower cost implementation styles - internal passive, internal active and external passive.
2. A Cost Premium of 'N/A' Indicates that there was insufficient peer data to calculate the premium. This is most often because your peers do not use the lower cost styles.
3. The 'Impact of differences in the use of lower cost styles' quantifies the net impact of your relative use of internal passive, internal active and external passive management.

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Costs – Impact of Differences in External Investment Management Costs

Indiana State Teachers' Retirement Fund

4. Costs
Are you paying more
for similar services?

The net impact of differences in External Investment Management costs saved you 8.7 bp.

Impact of Differences in External Investment Management Costs				
	Your 2006		Peer	Impact of the difference in \$000s
	Avg Holdings in \$mils	Cost in bp	Median Cost in bp	
US Stock - Large Cap - Passive	607	2.6	1.4	73
US Stock - Large Cap - Active	991	23.4	26.3	-293
US Stock - Small Cap - Active	672	45.8	63.0	-1,155
Stock - EAFE - Active	984	48.3	42.6	559
Fixed Income - US - Active	1,096	8.6	16.0	-806
TAA - Active	211	104.3	N/A	N/A
REITs - Active	123	130.6	75.3	681
Real Estate ex-REITs - Active	22	90.0	90.0	0
Venture Capital/LBO - Active Fund of Fund	282	221.8	336.0	-3,216
Total External Investment Management Impact in \$000s				-4,158
Total External Investment Management Impact in basis points				-8.7 bp

* 'N/A' indicates insufficient peer data to do meaningful comparisons.

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Costs – Net Impact of Differences in Oversight, Custodial & Other Costs

Indiana State Teachers' Retirement Fund

4. Costs
Are you paying more
for similar services?

The net impact of differences in your Oversight,
Custodial & Other Costs saved you 1.1 bp.

Impact of Differences in Oversight, Custodial & Other Costs				
	Your 2006		Peer Median Cost in bp	Impact of the difference in \$000s
	Avg Holdings in \$mils	Costs in bp		
Oversight	4,771	0.7 bp	0.9 bp	-74
Custodial/Trustee	4,771	0.1 bp	0.9 bp	-387
Consulting/Performance Measurement	4,771	0.6 bp	0.5 bp	25
Audit	4,771	0.0 bp	0.1 bp	-43
Other	4,771	0.1 bp	0.2 bp	-48
Total Impact in \$000s				-526
Total Impact in basis points				-1.1 bp

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Costs – Summary

4. Costs Summary

In summary, you were slightly low cost even though you had a higher cost implementation style because you paid less for similar services.

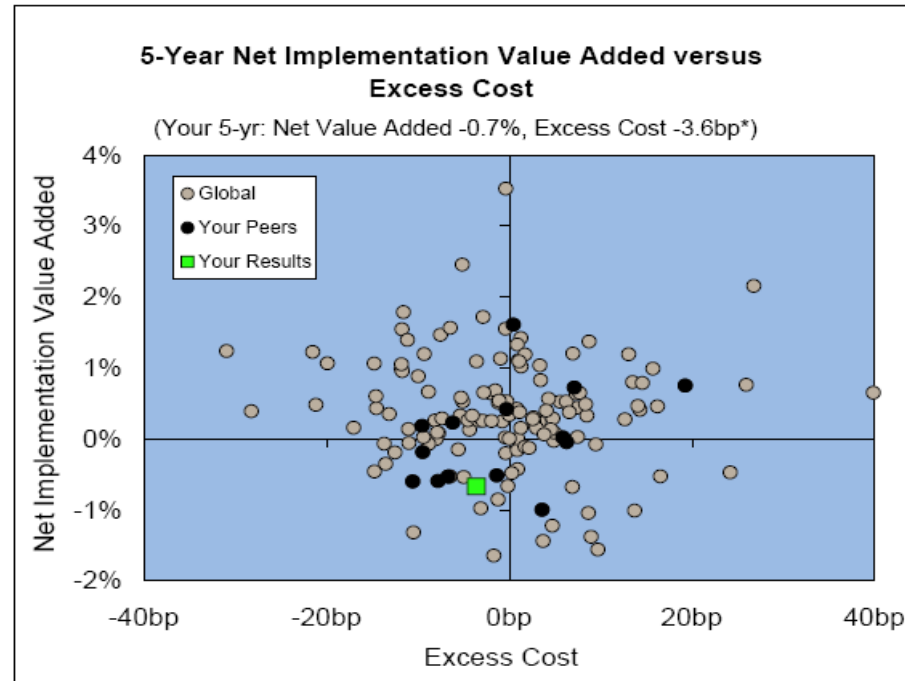
Your 2006 Excess Cost Breakdown		
	<i>Impact</i>	
	<i>\$000s</i>	<i>basis points</i>
Impact of:		
Higher Cost Implementation Style:		
• More fund of fund and external active management and less lower cost passive and internal management	4,036	8.5
• Other Style Differences	-6	0.0
Paying Less Than Your Peers for Similar Services:		
• External Investment Management Costs	-4,158	-8.7
• Oversight, Custodial & Other Costs	-526	-1.1
Total Excess Cost	-654	-1.4

Cost Effectiveness – 5 Year

Indiana State Teachers' Retirement Fund

5. Cost
Effectiveness
- 5 year

Your 5-year performance placed you in the negative value added, low cost quadrant.



* Your 5-year Net Implementation Value Added of -0.7% equals your -0.4% 5-year gross impl. value added minus your 0.3% 5-year-average Actual Cost.
Your 5-year Excess Cost of -3.6bp equals the average of your Excess Cost for each of the past 5 years.

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CEM Summary

In summary:

1. Policy Return

- Your 5-year Policy Return was 9.4%. This was above the U.S. median of 9.1% and above the peer median of 8.7%.

2. Implementation Value Added

- Your 5-year Implementation Value Added was -0.4%. This compares to the U.S. median of 0.7% and the peer median of 0.4%.

3. Implementation Risk

- Your 5-year Implementation Risk was 1.1%. This was slightly below the U.S. median of 1.3% and below the peer median of 1.5%.

4. Costs

- Your Actual Cost of 46.6 bps was below your Benchmark Cost of 47.9 bps. This suggests that your fund was slightly low cost. You were slightly low cost even though you had a higher cost implementation style because you paid less for similar services.

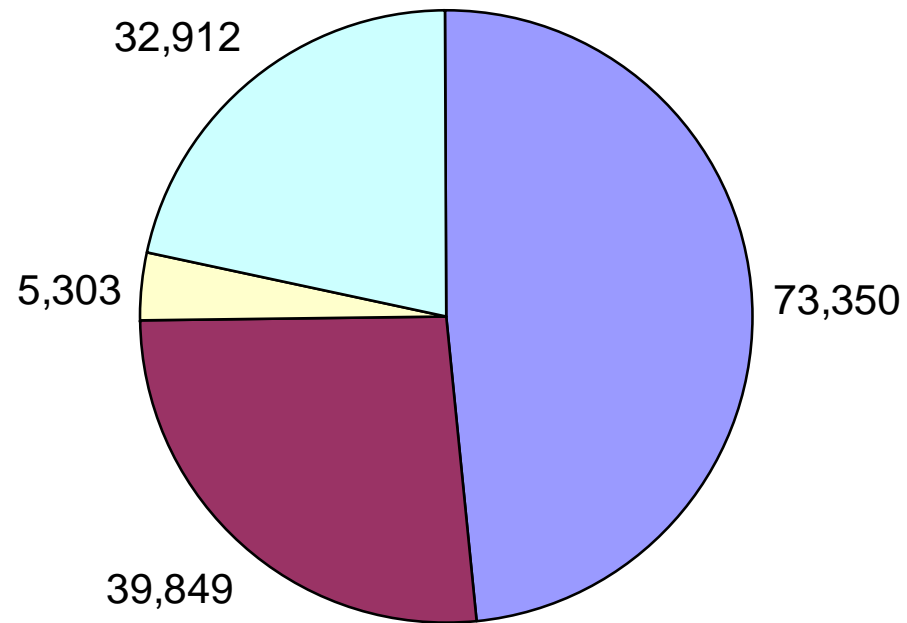
5. Cost Effectiveness

- Your 5-year performance placed you in the negative value added, low cost quadrant on the Cost Effectiveness Chart.



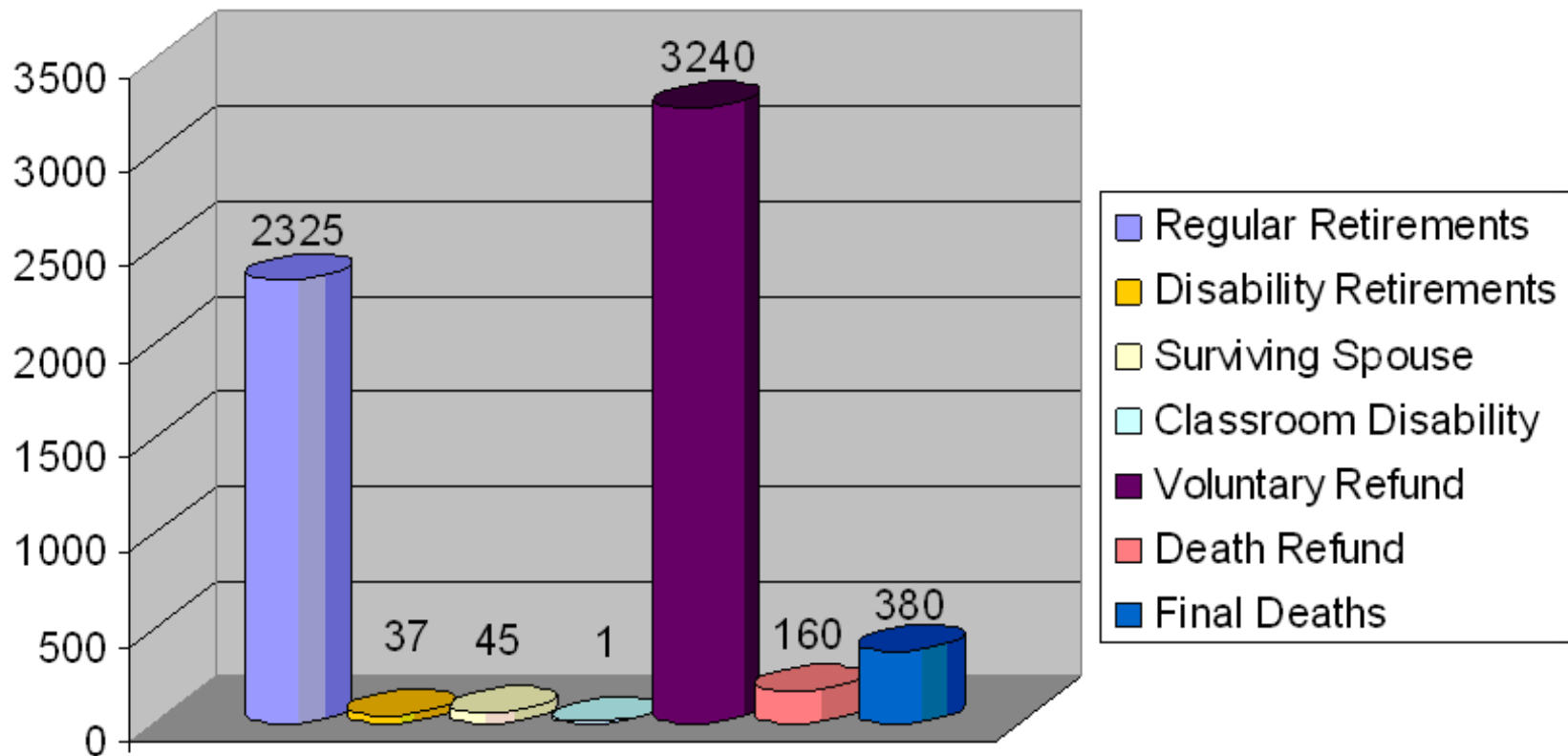
Statistical Reports

Fund Members

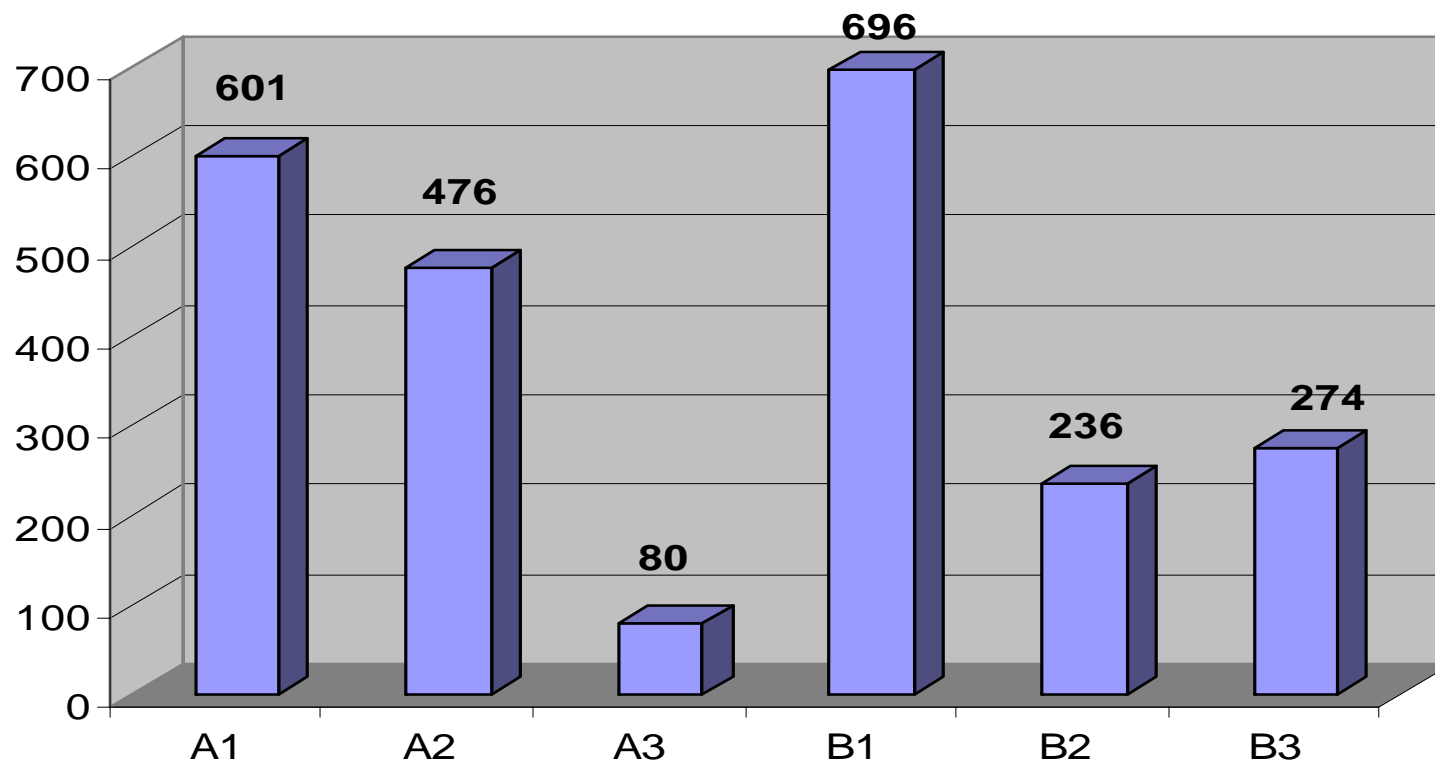


■ Active ■ Retirees ■ Inactive Vested ■ Inactive Non-Vested

Distributions for Fiscal Year 2006-2007



Retired Member Options



Incoming Call Analysis Report
Fiscal Year Ending June 30, 2007

Calls Received by Member Services Center	50,638
Night Calls on Voicemail	6,170
Average Speed of Answer (in seconds)	28
Incoming Calls Reaching Busy Tone	0%
Average Length of Conversation (in seconds)	158

Pre- 1996 Fund
Retired Members and Beneficiaries

June 30, 2006

Tabulated by Year of Retirement

Year of Retirement As of June 30	Number	Monthly Pensions	
		Total	Average
Before 1975	1,244	\$ 589,867	\$ 474
1975	258	144,991	562
1976	311	183,730	591
1977	353	211,813	600
1978	433	275,296	636
1979	496	317,768	641
1980	577	363,398	630
1981	560	350,531	626
1982	561	359,522	641
1983	630	406,950	646
1984	706	471,642	668
1985	1,005	716,018	712
1986	817	595,285	729
1987	958	741,946	775
1988	1,058	873,197	825
1989	843	725,942	861
1990	1,308	1,277,019	976
1991	1,255	1,310,457	1,044
1992	1,137	1,219,970	1,073
1993	1,182	1,375,817	1,164
1994	1,318	1,554,867	1,180
1995	1,660	2,037,370	1,227
1996	1,634	2,054,915	1,258
1997	1,419	1,765,517	1,244
1998	1,769	2,184,404	1,235
1999	1,620	2,120,539	1,309
2000	1,888	2,648,025	1,403
2001	1,879	2,822,359	1,502
2002	2,148	3,316,086	1,544
2003	1,852	2,974,142	1,606
2004	2,217	3,627,387	1,636
2005	2,083	3,520,618	1,690
2006	1,343	2,349,322	1,749
TOTALS	38,522	\$45,486,710	\$1,181

1996 Fund
Retired members and Beneficiaries

June 30, 2006

Tabulated by Year of Retirement

Year of Retirement as of June 30	Number	Monthly Pensions	
		Total	Average
1974	1	\$ 348	\$ 348
1975	1	271	271
1981	3	1,751	584
1982	1	882	882
1985	1	905	905
1986	2	1,472	736
1987	6	4,563	761
1988	6	4,650	775
1989	5	3,549	710
1990	12	11,057	921
1991	13	10,058	774
1992	11	11,970	1,088
1993	11	10,080	916
1994	18	19,705	1,095
1995	24	28,132	1,172
1996	36	45,525	1,265
1997	31	36,599	1,181
1998	43	51,490	1,197
1999	55	66,127	1,202
2000	79	90,931	1,151
2001	104	145,866	1,403
2002	147	226,512	1,541
2003	202	324,791	1,608
2004	192	282,756	1,473
2005	179	283,714	1,585
2006	144	249,534	1,733
TOTALS	1,327	\$1,913,240	\$1,442

This schedule may include individuals who retired from the Pre-1996 Fund and returned to work, and then retired again (from the 1996 Fund).



Service Benchmarks

Information in this section of the 2007 Annual report is included courtesy of CEM Benchmarking, Inc., and are excerpts of the *Defined Benefit Administration Benchmarking Analysis Report* (Fiscal Year 2006)).

CEM Benchmarking Disclaimer:

Prepared February 14, 2007 by:

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**Defined Benefit Administration
Benchmarking Analysis**

FY 2006

Indiana State TRF

Prepared February 14, 2007 by:

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Custom Peer Group for Indiana State TRF

Indiana State TRF

When evaluating costs and performance, the most relevant comparisons are to systems similar to you in membership and nationality. Your peer group consists of US participants closest to you in membership size.

Custom Peer Group for Indiana State TRF	Membership (000s)		
	Annuitants	Active Members	Total
Delaware PERS	21	42	63
Idaho PERS	28	65	93
Illinois MRF	82	171	253
Indiana PERF	79	175	254
Indiana State TRF	38	74	112
Iowa PERS	82	163	245
KPERS	64	156	219
LACERA	50	86	136
MOSERS	28	54	82
Nevada PERS	33	98	132
New Hampshire RS	20	56	76
Ohio SERS	61	123	184
South Dakota RS	18	36	54
TRS Louisiana	58	90	147
Average	47	99	146
Median	44	88	134

Total Adjusted Administration Costs for Indiana State TRF

Indiana State TRF

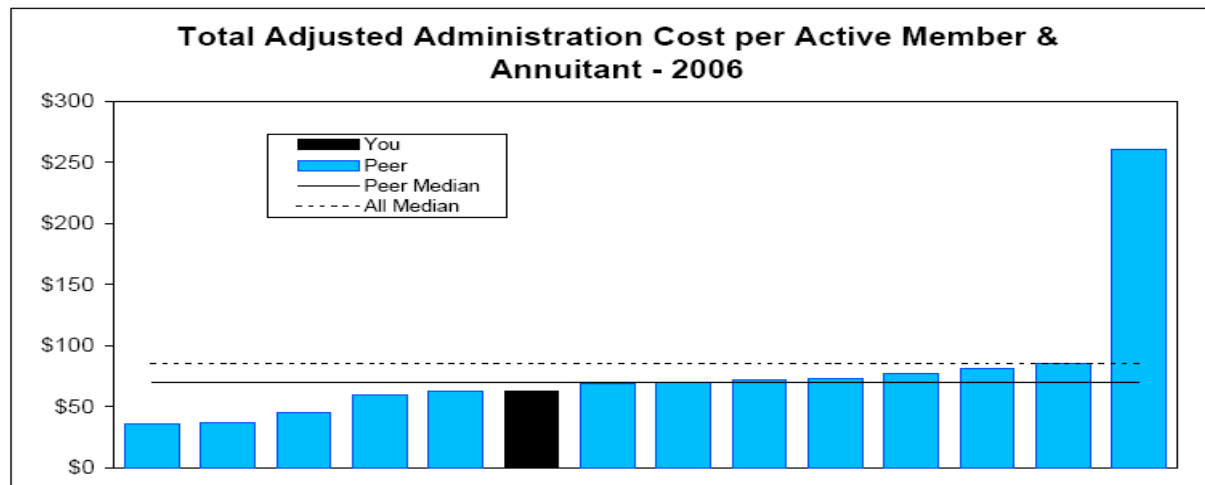
This analysis is based on your Total Adjusted Administration Cost of \$7.0 million.

Total Adjusted Administration Cost for Indiana State TRF		
Activity		\$000s
1 Paying Annuity Pensions		873
2 Annuity Pension Inceptions (non-disability)		1,187
3 Written Pension Estimates		59
4A 1-on-1 Member Counseling		273
4B Group Retirement Counseling		28
5 Member Contacts: Calls, Emails, Letters		450
6 Mass Communication to Members and Annuitants		392
7A-C Collections and Data Maintenance		976
7D Service to Employers		19
8 Refunds, Transfers-out, Terminating Payments		207
9 Purchases and Transfers-in		177
10 Disability		83
11A-D Financial Control and Governance		1,029
12A-C Plan Design and Rules Development		276
13 Major Projects and Non-recurring		653
Total Administration Cost per survey		6,682
Adjustments:		
subtract	13 Major Projects and Non-recurring	653
add	3-year average Major Project cost	960
Total Adjusted Administration Cost		\$6,989

Total Adjusted Administration Cost

Indiana State TRF

Your Total Adjusted Administration Cost was \$63 per Active Member & Annuitant. This was below the peer median of \$70.



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Executive Summary - page 5

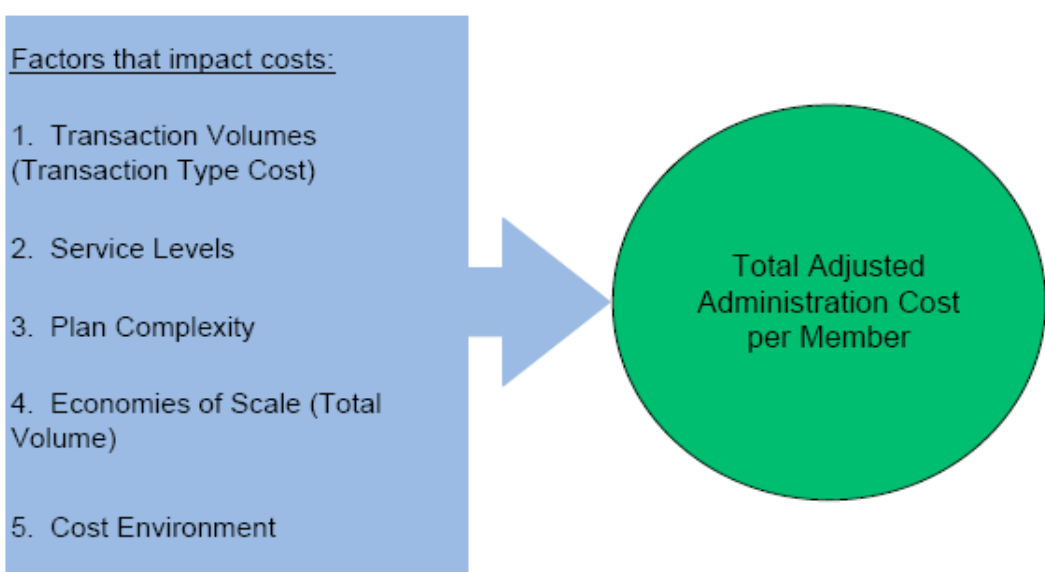
Factors that Impact Cost

Factors that impact costs

We measure and compare 5 factors that impact costs.

Factors that impact costs:

1. Transaction Volumes (Transaction Type Cost)
2. Service Levels
3. Plan Complexity
4. Economies of Scale (Total Volume)
5. Cost Environment



Total Adjusted
Administration Cost
per Member

1. Transaction Volumes (Transaction Type Cost)

The Transaction Type Cost is an estimate of what your cost should be given your transaction volumes. It equals the sum of your Activity transaction volumes multiplied by our estimate of the average cost for each type of transaction. Examples of transaction types include 1-on-1 counseling sessions, pension estimates, pension inceptions and responding to member calls. Refer to Section 6 Transaction Type Cost for details.

2. Service Levels

How well do you service your members in terms of timeliness, availability, capability and quality? All else being equal, the higher your Service Score relative to your peers, the higher your costs. For more details, see Section 5 - Service Levels.

3. Plan Complexity

How complex are your rules and regulations? All else being equal, the higher your Complexity relative to your peers, the higher your costs. For more details, see Section 7 - Complexity.

4. Economies of Scale (Total Volume)

Are you benefiting from Economies of Scale? All else being equal, higher Volume relative to your peers allows you to spread your costs over a larger base and benefit from lower per unit costs.

5. Cost Environment

The more expensive the location you are in, the higher your costs.

Each of the 5 cost factors above can affect your total costs. This is especially true for outlier participants. For example, a participant with an extremely high service score will be impacted more by Service Levels than a participant with average service. Similarly, participants with the lowest volumes are more impacted by their scale disadvantage.

Transaction Volumes

Indiana State TRF

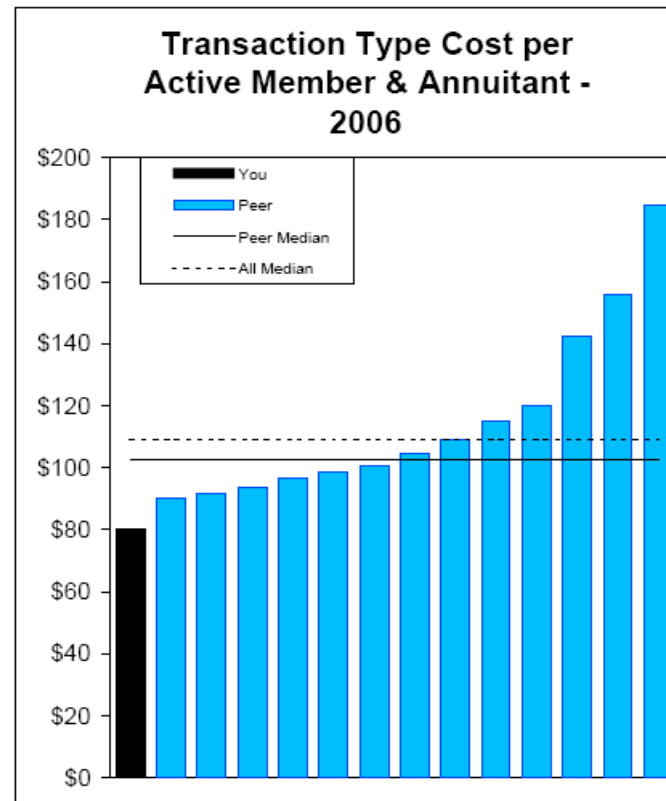
1. Transaction Volumes

Your total transaction volumes per Active Member & Annuitant were 22% below the peer median.

It is lower cost to do fewer transactions per member. Therefore, it is important to understand how and why your transaction volumes differ. The Transaction Type Cost measure provides a way of summarizing in a single number the over 80 different transaction types that we compare. It equals your transaction volumes by type, such as the number of member calls or newsletters mailed, multiplied by our estimate of the average cost of all participants to perform each transaction type.

Activities where you did fewer transactions include:

- Fewer Calls, Emails and Letters - You had 594 Calls, Emails and Letters for every 1000 Active Members & Annuitants versus a peer average of 1,301.
- Fewer Written Estimates - You had 9 Written Estimates for every 1000 Active Members & Annuitants versus a peer average of 47.
- Fewer Refunds and Transfers-Out - You had 28 Refunds and Transfers-Out for every 1000 Active Members & Annuitants versus a peer average of 49.
- Fewer Members Counseled 1-on-1 - You counseled 29 members for every 1000 Active Members & Annuitants versus a peer average of 39.



Benchmark Cost Analysis

Indiana State TRF

Your Total Actual Cost was lower than where we predict it should be after adjusting for differences in economies of scale, transaction volumes, and cost environment.

This suggests that your system is low cost. But this conclusion is only an indicator and must be interpreted very cautiously.

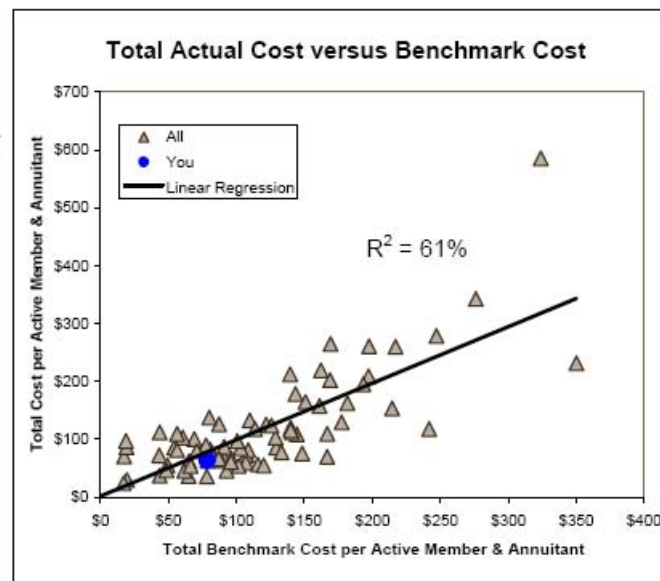
Reasons why your cost may differ from the benchmark cost include:

- Differences in the effectiveness of historic IT implementation
- Differences in Major Project costs, caused partly by differences in IT investment cycles.
- Extremes of complexity, service and transaction volumes that are not captured by the model.

Benchmark Cost Analysis

Cost per Active Member & Annuitant

Actual Cost	\$63
Benchmark Cost	\$79
Difference	-\$16



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Service Level & Service Score

Indiana State TRF

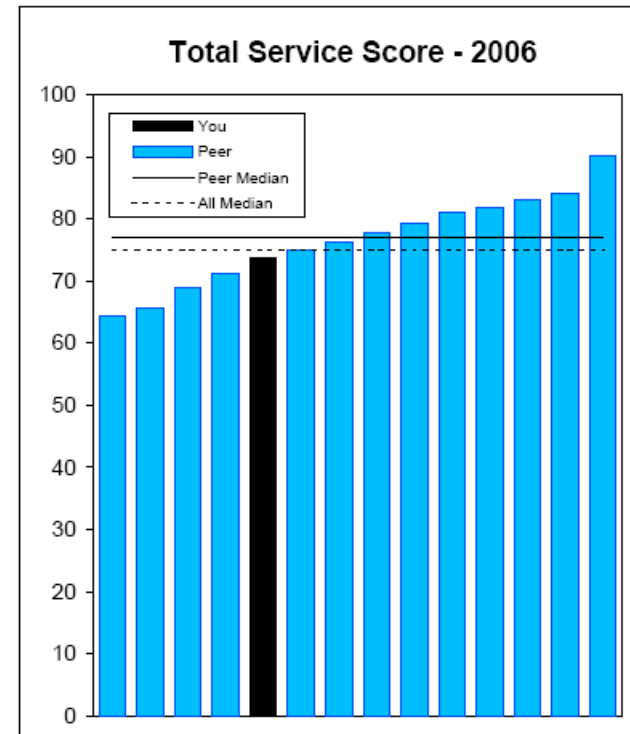
2. Service Level

Your Total Service Score was 74. This is close to the peer median of 77.

Your Total Service Score is the weighted average of your Service Scores for each Activity. Your Service Scores for each Activity and a discussion of ways to improve your score are shown on the following three pages.

Understanding why you rank where you do is more important than your Total Service Score because:

- Service is defined as: "Anything a member would like, before considering costs." High service may not always be cost effective or optimal. For example, having your Call Center open 24 hours a day is higher service, but may not be cost effective.
- The weights used to determine the service scores will not always match the relative importance your members attach to the criteria.



Examples of Key Service Measures Included in Service Score

Indiana State TRF

2. Service Level

Examples of key service measures included in your Service score.

Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• % of calls resulting in desired outcomes (versus busy signals, messages, hang-ups)	97%	91%
• Average total wait time including time negotiating auto attendants, etc.	67 secs	66 secs
• Will you provide benefit estimates over the telephone?	Yes	64%Yes
<u>Website</u>		
• Can members access their own data in a secure environment?	Yes	79%Yes
• Do you have an online calculator?	Yes	93%Yes
• Are all, some or none of your forms available online?	All	22%All
• Can members make online changes to their non-financial data?	Yes	57%Yes
<u>Member Statements</u>		
• How current is the data in member statements when mailed?	6.0 mos	2.7 mos
• Do statements provide an estimate of the future pension entitlement?	No	79%Yes
<u>Pension Inceptions</u>		
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	100%	87%

Service Scores by Activity Peer Comparison

Indiana State TRF

2. Service Level

Your Service Scores by Activity compared to your peers as follows:

Service Scores by Activity			
Weight	Activity	Your Score	Peer Avg
18.9%	1 Paying Annuity Pensions	98	96
7.9%	2 Annuity Pension Inceptions (non-disability)	79	75
5.0%	3 Written Pension Estimates	56	65
11.3%	4A-B Counseling	72	82
21.5%	5 Member Contacts: Calls, Emails, Letters	64	67
21.8%	6 Mass Communication to Members and Annuitants	69	73
	a) Member Presentations (15%)	55	73
	b) Website (30%)	97	78
	c) Electronic Delivery (5%)	25	14
	d) Newsletters (15%)	80	80
	e) Member Statements (30%)	60	79
	f) Other Mass Communication (5%)	0	44
4.0%	7D Service to Employers	66	71
0.3%	8 Refunds, Transfers-out, Terminating Payments	75	74
3.3%	9 Purchases and Transfers-in	86	76
5.1%	10 Disability	57	66
1.0%	11A-D Financial Control and Governance	84	76
100.0%	Total Service Score (Average)	74	77
	Total Service Score (Median)		77

We do not have service measures for the activities 7A-C Collections, Data and Billing or for activity 12 Plan Design.

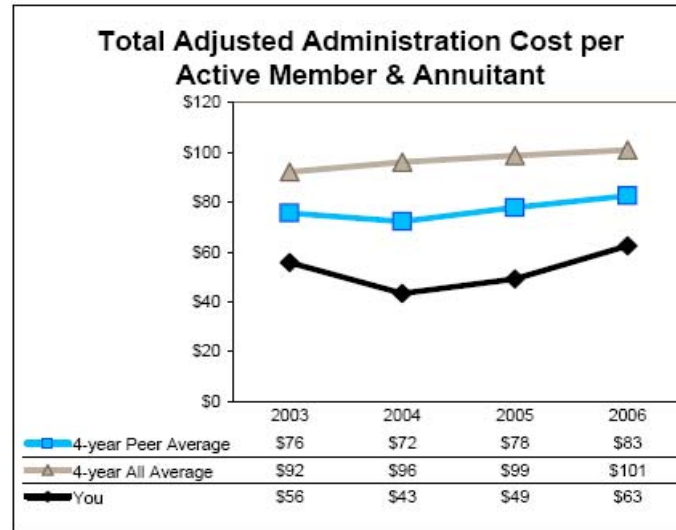
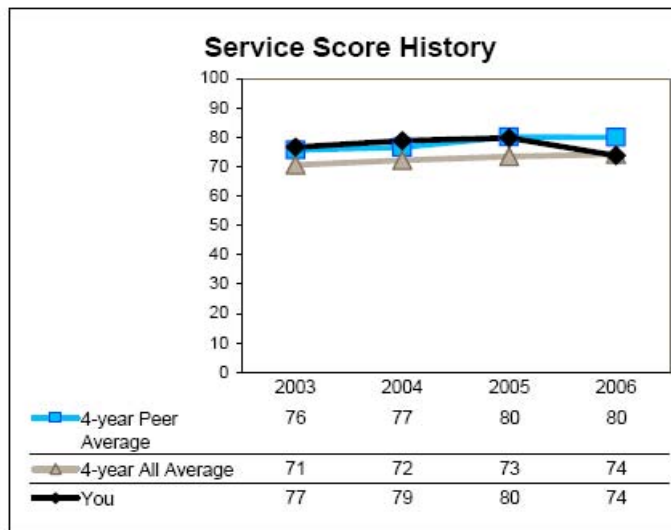
Service and Cost Trends

Indiana State TRF

Service and Cost Trends

- Service Scores increased 0.9 points per annum for the average 4-year participant*.

- Costs increased 2.3% per annum for the average 4-year participant*.



* The 2006 Peer and All numbers in the graphs above may not match others in this report because these graphs depict only those systems that have provided 4 consecutive years of data (9 of your 14 peers, 34 of the 51 participants).

Plan Complexity

Indiana State TRF

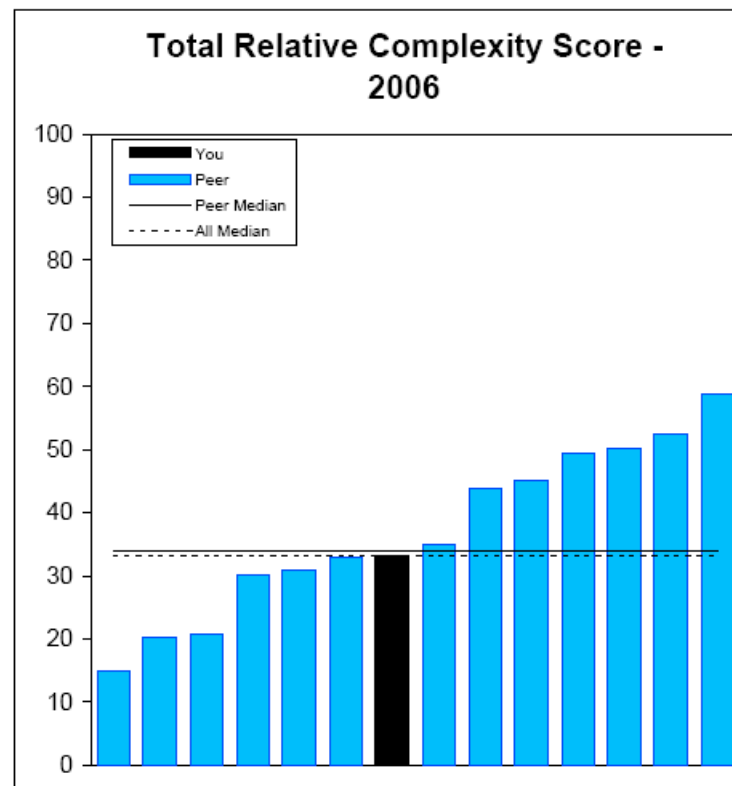
3. Plan Complexity

Your relative Complexity was slightly below the peer median.

Complexity is caused by two factors:

1. Multiple member groups with different rule sets.
2. Complex rules. For example, many systems need to keep track of multiple mortality tables that depend on the member's hire date.

The Complexity Scores are relative measures. Relative measures rank all participants from relatively least to relatively most complex on a scale of 0 to 100. A low Relative Complexity score does not mean that your system is not complex, rather it means that your system is relatively less complex than your peers. All retirement systems are extremely complex, so even the system that has a 0 Total Relative Complexity score is still extremely complex.



Relative Complexity Peer Comparison

Indiana State TRF

3. Plan Complexity

Your Relative Complexity by underlying cause compared to your peers as follows:

Many participants are curious about why they do not have a higher complexity rating.

The most complex participant is CalPERS. Their participating local employers can extensively customize their rule sets. For example, their employers can select their own benefit multipliers, final salary definition, retirement age, cost of living adjustment rules, disability benefit rules etc. Their complexity from Customization Choices is 100 versus your score of 20.

The second most complex participant has a long history of grandfathered changes to their benefit formula and fragmented rules related to different counties and cities. They have over 81 different multipliers and 8 different possible salary definitions that could apply in their benefit formula. Their complexity from Multiple Benefit Formula is 100 versus your score of 5.

Relative Complexity Ratings by Cause

Complexity: 0 least - 100 most

Weight	Underlying Cause	Peer	
		Your	Avg
15.0%	A. Pension Payment Options	65	50
20.0%	B. Customization Choices	20	16
10.0%	C. Multiple Plan Types and Overlays	54	21
16.0%	D. Multiple Benefit Formula	5	37
3.0%	E. External Reciprocity	65	17
4.0%	F. COLA rules	0	29
3.0%	G. Contribution Rates	17	41
4.0%	H. Variable Compensation	85	75
3.0%	I. Service Credit Rules	54	46
3.0%	J. Divorce Rules	0	50
5.5%	K. Purchase Rules	33	58
4.0%	L. Refund Rules	66	56
6.0%	M. Disability Rules	42	70
0.5%	N. Translation	0	9
3.0%	O. Defined Contribution Plan Rules	18	8
100.0%	Weighted Average (before scaling)	35	37
	Scaled Total Complexity	33	37

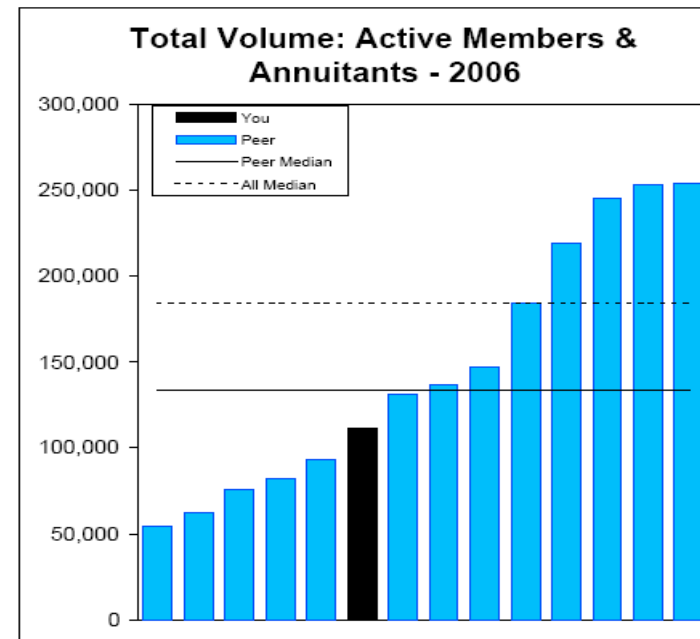
Economies of Scale

Indiana State TRF

4. Economies of Scale

Your Total Volume was 111,600 Active Members & Annuitants. This compared to a peer median of 133,900.

Total Volume matters most for systems with 50,000 or fewer Active Members & Annuitants. These smaller systems have a scale disadvantage.



Summary

Indiana State TRF

Summary

- Your Total Actual Administration Cost of \$63 was below the peer median of \$70.
- Your total transaction volumes per Active Member & Annuitant were 22% below the peer median.
- Your Total Service Score of 74 was slightly below the peer median of 77.
- Your Relative Complexity of 33 was slightly below the peer median of 34.
- Your Total Volume of 111,600 Active Members & Annuitants was below the peer median of 133,900.
- Your cost environment was 2.5% more expensive than your peers' median cost environment.
- Your Total Cost was lower than predicted after adjusting for differences in economies of scale, transaction volumes and cost environment.



Goals & Metrics

Indiana Teachers' Retirement Fund

2007 Goals & Metrics

Agency Mission:

The mission of the Indiana State Teachers' Retirement Fund is to prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to its members, while demonstrating responsibility to the citizens of the State.

GEFP Agency Metrics:

1) Investment Performance:

% Gross Return on Investments against Benchmarks

1 Year Actual Return/1 Year Target Return

Green Target $\geq 100\%$

Yellow Target 92-100%

3 Year Actual Return/3 Year Target Return

Green Target $\geq 100\%$

Yellow Target 92-100%

2) Customer Service:

Average # of Days to Process 1st 85% Check

Green Target < 25

Yellow Target 25-30

Percentage of Retirees Receiving Final Adjusted

Check Within 60 Days of 1st 85% Check

Green Target $\geq 95\%$

Yellow Target 90-95%

Average # of Days to Provide Service Credit Purchase

Cost Estimate

Green Target 1

Yellow Target 2-3

3) Cost and Process Efficiencies:

Percentage of Monthly Benefit Payments Made by

Direct Deposit

Green Target $\geq 90\%$

Yellow Target 86.5-90%

Percentage of Employers Reporting Wage & Hour

Contributions Via Website

Green Target $\geq 85\%$

Yellow Target 81-85%

Other Goals & Metrics:

1) Investment Performance:

Complete restructuring of new asset allocations – Q4

Visit and evaluate all money managers – Q4

Gain Board approval for investment delegation authority to investment staff – Q1

Gain Board approval for investment results' review (content and timing) and Board education – Q1

Review custodial contract for renewal – Q4

2) Customer Service:

Achieve a rating of 4 or 5 of 95% of survey questions for retirement counseling - Q1 and workshop evaluations - Q1

Complete 90% of retirement estimates within 2 weeks of request – Q1

Train all benefits division on customer service and how to do retirement counseling – Q1

Contact all survivors/beneficiaries in open death cases that have pending cases due to action needed on their part – Q2

Pilot Saturday morning appointments once/month and assess results – Q1

Maintain call center statistics of <30 seconds avg. time to answer and <1% abandoned rate – Q1

Complete new member packet – Q3

Update member handbook – Q2

3) Cost and Process Efficiencies:

Upgrade web-based electronic wage and contribution reporting vehicle and its direct interface with SIRIS for accuracy in A/R balances, re-retirement calculations, and erroneous error messages – Q3

Upgrade Access Indiana web-based employer functions to include electronic, interactive enrollment of new members and direct deposits of payments – Q4

Establish quality assurance group in benefits to establish procedures for benefit calculations and assess accuracy with goal of no more than 10% needing adjustment – Q4

Maintain current paperless system going forward with 24-hour scanning/indexing of all new records – Q1

Determine if another telephony system could better service TRF needs – Q1

Upgrade SIRIS to automatically generate correspondence confirming demographic member account changes – Q1

Document all business processes/workflows and corresponding controls to improve existing system and prepare for the next generation business application – Q2

Recommend next generation business application for all agency business processes – Q4

RFP for Medicare A&B supplement plans – Q2